Austria	Sch22	Indonesia	Rp3100	Portugal	Esc200
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls6.00
Belgium	BFr60	Italy	L1500	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rs30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$1.25	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr60	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl2.50	UAE	Dh6.50
India	Rp15	Norway	Kr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,448 — Wednesday January 27 1988 — D 8523 A

A glum 100 days in the equities' markets, Page 22

World News | Business Summary

Austrian weapons 'sold to Iranians'

Austrian state arms company Noricum sold weapons worth up to Sch4bn ($108m) to Iran – violating a law that forbids the sale of arms to countries at war – the company's former general director said. Page 24

Go-ahead for warplane

France's programme for a new generation of fighter aircraft, Rafale, was given a boost when Prime Minister Jacques Chirac confirmed the development timetable of the project. Page 2

Gulf withdrawal

The US said it would withdraw the battleship Iowa and the helicopter carrier Okinawa from the Gulf region next month in a slight reduction of US naval forces there.

Philippines poll freeze

Filipino officials froze the proclamation of election winners in 26 areas including a province where a rebel military officer linked to a coup attempt won the race for governor, following charges of cheating and miscounting.

Bangladesh clash

At least 100 people were injured when riot police in Bangladesh used clubs in a clash with anti-government strikers who shut down transport and commerce. Police said 45 people were arrested. Page 3

Japanese sanctions

Japan imposed diplomatic sanctions against North Korea, accusing it of destroying a South Korean airliner and promising to help prevent any attempt by the North to disrupt the Seoul Olympics. Page 3

Colombia killing

Drug traffickers fighting extradition to the US claimed responsibility for the death of Colombian Attorney-General Carlos Mauro Hoyos and warned that more bloodshed would follow. President's pledge and Threat to Panama general, Page 4

Bonn-Prague links

West Germany and Czechoslovakia declared interest in improving economic and technological links, including such areas as reactor safety and the environment. Page 24

Rabin challenged

Israeli Defence Minister Yitzhak Rabin received a legal challenge to his controversial order to troops to beat Palestinian protestors and could face criminal charges. Page 3

Seoul Premier sacked

President Chun Doo Hwan of South Korea sacked Prime Minister Lho Shin Yong, 67, and three cabinet ministers. Page 3

Angolan army 'ousted'

Unita rebels in Angola said government forces had fled Cuito Cuanavale, a key town in the south-east of the country, after a month-long siege, but the claim was immediately denied by Luanda. Angola 'holds town,' Page 3

Sudan emergency

Sudan extended its state of emergency by six months after the army acknowledged that the rebel Sudan People's Liberation Army had captured an important southern town.

Shanghai epidemic

Thousands of Shanghai residents were struck down in a hepatitis epidemic which had crowded hospitals and caused "public panic," the China Daily said.

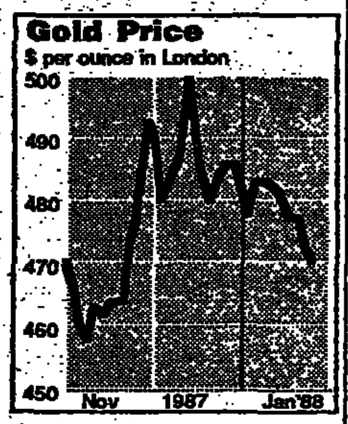
Writer fined £20,000

London daily newspaper journalist Jeremy Warner was fined £20,000 ($35,400) by a High Court judge for refusing to reveal his professional sources to inspectors from the Government's Department of Trade investigating suspected insider dealing. Page 24

American Express suffers $104m loss

AMERICAN Express, US financial services group, reported a loss of $104m or 24 cents a share in the fourth quarter, compared with a profit of $282m or 63 cents the year before. Page 25

GOLD bullion closed down $1.50 an ounce at $470.25 on rumours that Newmont Mining of the US was arranging a record 1m troy ounce gold loan. It had reached $469.75, its lowest since November 23. Page 34



WALL STREET: The Dow Jones industrial average closed down 25.86 at 1,920.59. Page 46

TOKYO: Wall Street's overnight advance, stability in the yen-dollar exchange rate and lower interest rates brought investors back to the floor, with the Nikkei average closing 120.36 higher at 23,498.76. Page 46

LONDON: Uncertainty about tomorrow's UK trade figures for December and the continuing lack of volume resulted in slow trading and little change. The FT-SE 100 index gained 5.1 to close at 1,787.3. Page 42

DOLLAR closed in New York at DM1.6735, FFr5.6415, SFr1.3575, Y127.60. It closed in London at DM1.6760 (DM1.6775); FFr5.6500 (FFr5.6550); SFr1.3610 (SFr1.3615); Y127.85 (Y127.75). Page 35

STERLING closed in New York at $1.7745. It closed in London at $1.7745 ($1.7720); DM2.9750 (DM2.9725); FFr10.0250 (FFr10.0200); SFr2.4150 (SFr2.4125); Y226.75 (Y226.25). Page 35

ISRAEL'S inflation rate is expected to drop to 10 per cent in 1988, its lowest level in nearly 20 years. Page 3

MEXICO Trade Minister, Hector Hernandez Cervantes, called for gradual devaluation of the peso in an effort to maintain Mexico's upward trend in exports. Page 4

PANAMA failed to meet a Y1.57bn ($12.3m) repayment on a private bond placement with Japan. Page 4

HONG KONG'S exports rose 22.7 per cent to HK$18.85bn ($2.42bn) in December, confounding expectations that sales would slow following the worldwide stock market crash. Page 6

GUINNESS Peat Aviation, Irish Republic-based international aircraft leasing company, is to buy a further 25 Boeing 737 jets at an estimated cost of more than $500m. Page 6

LONDON'S marine and aviation insurers are facing a slump in income because of premium rate cutting instituted by overseas competitors. Page 12

RUPERT MURDOCH, international publisher said he would like to form a joint venture with Pearson, publishers of the Financial Times, to launch a separate American edition of the FT in competition with the Wall Street Journal. Page 23

MORGAN STANLEY, US investment bank, remained in profit in the fourth quarter despite a $75m loss on the underwriting of the British Petroleum issue. Page 25

TAP-AIR Portugal, Portuguese state airline, is planning a partial privatisation of Air Atlantis, its charter subsidiary. Page 27

AIDS could strike 'a million within three years'

BY PETER MARSH IN LONDON

ONE MILLION cases of AIDS could be expected in the world by 1991, *more than six times* the current figure, Dr Jonathan Mann, director of the AIDS programme at the Geneva-based World Health Organisation, told health ministers from 120 countries in London yesterday.

Speaking at a three-day conference discussing international efforts to fight the disease, Dr Mann said that over the next few years the ailments would have a "tremendous and gradually expanding cumulative effect, striking down large sections of otherwise healthy young people in both the industrialised and developing nations".

According to Dr Mann between 5m and 10m people worldwide were infected with the AIDS virus and stood a high chance of developing the disease.

However, several hundred million people globally "may have behaviour which makes them potentially vulnerable to infection," he said.

By 1991, in some developed nations, the total number of deaths from AIDS of men aged between 25 and 34 would be greater than the total number of deaths in this age group from the four current major causes of mortality: road accidents, suicide, heart ailments and cancer.

In the developing nations, said Dr Mann, the effect of the disease would be "analogous to war".

A total of 75,000 people have officially been reported as having AIDS, of whom roughly half have died, but the unofficial figure is thought to be twice that.

North and South America have 75 per cent of reported AIDS cases and Europe and Africa have 12 per cent. The remaining 1 per cent are scattered through Asia and Oceania.

The World Health Organisation expects 150,000 more AIDS cases this year.

Dr Mann said that AIDS *would gradually permeate the* heterosexual population in the industrialised countries where the disease had so far been confined largely to homosexuals and intravenus drug users.

In many non-industrialised nations, three-quarters of people with AIDS had contracted the disease through heterosexual contact and, Dr Mann estimated, of the 1m cases likely to be diagnosed by 1991, about half would probably be the result of infection spread heterosexually.

However, Dr Mann declined to say what proportion of the total cases would be from the developing and industrialised countries.

By the early 1990s adult mortality rate in some non-industrialised nations could double as a result of the disease, while significant increases in infant mortality could also be expected due to pregnant women passing the AIDS virus on to their unborn offspring.

Such a rise in child deaths would cancel out the effects of public health initiatives in the developing countries, such as measures to improve drinking water, he said.

The effects of AIDS would not only cause large numbers of fatalities but threaten family life, with orphans and elderly people left without support.

AIDS had also "unveiled *thinly disguised* prejudices about race, religion, social class, sex and nationality".

The annual cost of treating a person with AIDS varies widely but is estimated at between $20,000 and $150,000 in the industrialised world.

The World Health Organisation, which plans to spend $66m on anti-AIDS projects this year, *organised the conference* jointly with the UK Government to permit international experts to pool ideas on combating the disease.

● Mr John Moore, the UK Health Minister, announced that Britain would be giving the World Health Organisation AIDS programme £4.5m ($7.9m) from its overseas aid budget for 1988-89. He also announced a grant of £500,000 for distribution to voluntary bodies for combating the effects of the disease.

John Moore gets his chance

Ailing UK health care gets the Thatcher treatment

By Peter Riddell in London

MRS Margaret Thatcher, the British Prime Minister, describes herself as a passionate believer driving things through rather than as just a chairman of the Cabinet. But that does not mean all her policies emerge neatly from an ideological blueprint – far from it.

The policies of her government have developed more haphazardly in response to public complaints and demands for radical change – as is being shown again now by the debate over the future of the UK's much-maligned National Health Service.

The NHS was set up in Britain 40 years to ensure hospital treatment and advice by local doctors free of charge at the point of provision. It is, arguably, the most politically sensitive of the issues facing Mrs Thatcher's reformist administration.

Financed primarily by the taxpayer, the NHS budget for the coming year is £20bn ($35.8bn), though a small amount of income comes from charges for prescriptions and dental and optical treatment.

The service is administered by a network of regional and local health authorities which cater for well over 90 per cent of public needs, although the number of people with private health insurance, mainly through their employers, has been growing sharply. Increasing strains have developed within the NHS because of the conflict between finite financial resources and rising demand created by an ageing population, new techniques made possible by technological advances and rising expectations.

The intention of Mrs Kinnock taunted over figures, Page 8

Continued on Page 24

Saudi-Soviet talks underline Moscow's growing Gulf ties

BY CHARLES HODGSON IN MOSCOW AND ANDREW GOWERS IN LONDON

PRINCE Saud al-Faisal, the Saudi Foreign Minister, is to visit Moscow this week for the highest-level talks the kingdom and the Soviet Union have had in more than five years.

The visit, which is expected to focus on the Arab-Israel *conflict and the Gulf war*, is a significant sign of the progress Moscow has made in courting moderate Arab states since Mr Mikhail Gorbachev came to power. It also indicates the influence that Saudi Arabia – traditionally anti-communist and allied with the US – now believes Moscow could bring to bear on the Middle East's two long-running conflicts.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said yesterday that the visit had been arranged at Saudi Arabia's request. The Saudi Foreign Minister, expected to be accompanied by a large delegation, will be listened to with especially close attention in Moscow, since the Soviet Union would dearly love to establish diplomatic relations with the Gulf's main oil power.

Principal subjects for discussion will be:

● The recent disturbances in the Israeli-occupied West Bank and Gaza Strip and efforts to convene an international Middle East peace conference involving regional parties and the five permanent members of the United Nations Security Council. Mr Eduard Shevardnadze, the Soviet Foreign Minister, proposed last week that a special meeting of the Security Council be held *at foreign minister level* to relaunch the peace process.

● The UN effort to end the Gulf war. Saudi Arabia, along with most other Gulf Arab states, has been pressing the UN Security Council to agree on a mandatory arms embargo against Iran, which has consistently refused to accept a resolution calling for a ceasefire.

Moscow indicated last month that it was in principle prepared to go along with such a ban. But since then, discussions in New York have been moving slowly, with Moscow insisting on parallel talks about the establishment of a UN naval force in the Gulf. Western *diplomats say Soviet representatives* appear to want the UN to provide a peacekeeping force which would perform a similar function to the Western navies currently trying to preserve "freedom of navigation" in the region. This is plainly unacceptable to the West.

Saudi Arabia is likely to be especially keen to hear Soviet *views on the Gulf conflict since* Moscow, unlike Washington, has managed to maintain correct relations with Iran in recent months. There may also be discussions on the Afghan conflict.

Although the Soviet Union was the first foreign power to recognise Ibn Saud as King of the Hejaz-Nejd – the precursor *of the modern Saudi Arabia* – in 1927, the two states have not had diplomatic relations since 1938.

Prince Saud's visit has already prompted speculation that the two countries might be preparing to establish diplomatic relations, but this may be premature. There remains considerable opposition to ties *with Moscow within the kingdom.*

Prince Saud: speculation.

GrandMet wins ground in Martell battle

BY PAUL BETTS IN PARIS AND LISA WOOD IN LONDON

GRAND METROPOLITAN, the UK drinks group, gained the edge yesterday against Seagram, the rival Canadian drinks group, in the takeover battle for Martell, France's second-largest cognac producer.

This follows the decision of the Martell board to back GrandMet's latest and final offer of FFr3,300 ($584) a share, valuing the company at FFr4.57bn. However, the cognac house left the door open for a higher bid from Seagram by indicating in its statement yesterday that it had accepted the GrandMet bid because "it is to this day the highest" offer.

However, the Martell board's decision to accept the GrandMet bid now puts the ball back into Seagram's court. Until now, the large Martell family, with about 41 per cent of the shares in the company, had firmly supported Seagram.

Before the takeover battle began, the Martell family had agreed to sell in a private deal its 41 per cent stake in the company to Seagram for FFr2,600 a share. After GrandMet riposted with a FFr2,675 a share bid, Seagram lifted its offer to FFr2,975 a share with the backing of the Martell family.

However, faced with the sweetened GrandMet bid of FFr3,300 a share last week, the board finally agreed to accept the UK group's improved offer.

Seagram officials declined to comment yesterday on the *Martell board's decision or whether* it would increase its bid, hold on to its 14 per cent stake in Martell or tender its shares to GrandMet, which holds 21.8 per cent of Martell.

Stock market analysts indicated yesterday that, while the Martell board had accepted the GrandMet offer, they had not recommended it to shareholders as is the normal practice in such cases. They also emphasised that tenders for the GrandMet offer could be revoked until February 9 in the event of a higher rival bid.

The price being offered by GrandMet for Martell is seen by analysts as a full one and an increased bid by Seagram would, under French law, have to be 5 per cent more.

FAO under more fire

BY ROBERT MAUTHNER IN LONDON AND JOHN WYLES IN ROME

BRITAIN has decided to "delay" its annual contribution of £10m (about $17.8m) to the Rome-based Food and Agriculture Organisation (FAO) because the UK is dissatisfied with the management and financial control of the United Nations organisation.

Officials have made it clear, however, that Britain is not proposing to leave the FAO, as it left for much the same reasons the UN

Continued on Page 24

Fiat hopes to capture lead in European market with new car

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FIAT, the resurgent Italian automotive group, yesterday launched a new small family car, the Tipo, with which it hopes to oust Volkswagen of West Germany from the leadership of the European car market.

The development of the Tipo, a medium-sized five-door hatchback, has cost $1.7bn over the past five years. Fiat says it is the first model it has designed specifically to appeal to European tastes.

The group claimed yesterday that it had set new standards in the automation of car assembly at its main Tipo production *plant at Cassino, south of* Rome.

The new car will challenge the Volkswagen Golf, the best-selling car in West Europe, as well as the Ford Escort, the market leader in the UK, General Motors' (Opel/Vauxhall) Kadett/Astra and the Peugeot 309.

Success for the Tipo is vital to Fiat, which has staged a dramatic fightback from the brink of financial collapse at the beginning of the 1980s.

The recovery of its car operations has previously depended almost solely on the success of its Uno small car, which was launched in 1983.

Mr Vittorio Ghidella, managing director of Fiat Auto, the group's car division and the architect of its recovery during the 1980s, said yesterday that the company was aiming initially to capture around 10 per cent of the European small family car market (class C) with sales of about 350,000 units in 1989, the first full year of production.

Fiat has previously been weak in this key market segment, which last year accounted for 27.1 per cent of all European car sales or 3.3m cars. Its ageing Strada/Ritmo *model, which has now been* taken out of production, took only 3.2 per cent of the market segment compared with the 21 per cent held by the VW Golf.

Mr Ghidella told a press conference linked simultaneously by satellite to five centres in Rome, Frankfurt, Paris, Madrid and London that Fiat hoped to raise its European market share *to close to 15 per cent in 1989,* the first year of full production of the Tipo, from 14.3 per cent in 1987.

Fiat has built capacity for producing up to 400,000 units a year (1,800 a day) of the Tipo at its highly automated Cassino plant, but this could be raised to between 550,000 and 600,000 units a year (2,500 a day) with added capacity at its Rivalta plant.

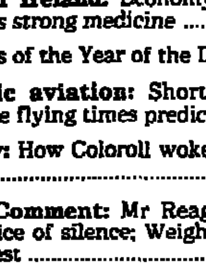
Fiat said that about 50 per cent of the final assembly work on the Tipo had been automated, setting a new standard in the industry.

The group now has around 1,700 robots installed at its production plants. Mr Pier Giorgio Tronville, Fiat Auto director of design development, said that the higher degree of automation had cut the direct labour time in the production of the Tipo by around three hours or more than 10 per cent.

The Tipo will be launched in Italy next month and in the main volume markets of West Germany, France and the UK during the late spring and early summer. The European launch will be completed by the end of the year. Mr Ghidella said that Fiat had no plans to sell the Tipo in the US market, from which it was forced to withdraw in the early 1980s.

He said that the Fiat group (helped by the inclusion of Alfa Romeo) last year produced some 2.04m cars, the first time the group had passed the 2m mark. Car production totalled 1.71m in 1986.

CONTENTS



SCRIPT BEGINS TO SOUND A LITTLE SHOPWORN

President Reagan fails to ignite the nation with his State of the Union address, Page 4

هكذا من الأصل

Kieran Cooke assesses Ireland's prospects on the day the 1988 budget is unveiled in Dublin

Economy responds to Haughey's strong medicine

WITH AN enthusiasm very few would have predicted, Mr Charles Haughey, the Irish Prime Minister, has introduced a series of very tough economic measures since coming to power last February.

For a man who in previous administrations spent lavishly and in opposition railed against the Government's obsession with book-keeping, Mr Haughey has undergone a remarkable conversion to tight fiscal control.

But pragmatism, not ideology, has forced a change of policy. Put simply, if borrowing and spending levels had continued along the pattern of the early 1980s, Ireland, in the not too distant future, would have been spending its entire gross national product on debt servicing.

Progress on tackling Ireland's debt has been impressive, leading to some renewal of confidence in the economy. But that renewal is still fragile: Irish public debt now stands at I£24bn (£21.6bn). That is more than I£25,000 for every household.

Central to government plans is a reduction in the overall Exchequer borrowing requirement (EBR) as a proportion of gross national product. At I£1.786bn in 1987, EBR represented 10.3 per cent of GNP, the lowest level since since 1977 and down from 13 per cent in 1986. Economists now feel that a stabilisation of the debt/GNP ratio is possible by early next year.

Interest rates have fallen substantially over the past 12 months, from 14 per cent last February to 8.5 per cent at the end of 1987. The inflation rate is now running at about 2 per cent, its lowest for 20 years.

TODAY'S BUDGET in the Irish Republic is likely to mean a further drop in real incomes in the coming year and result in more unemployment as the Government struggles to cope with its I£24bn debt, writes Kieran Cooke in Dublin.

Budget estimates indicate some tax relief for the country's pay-as-you-earn workers, but there will be further cuts in public services, particularly education, as part of the Government's attempt to bring down the Exchequer borrowing requirement, which this year is forecast at £1.515bn.

Farmers and the self-employed are likely to be asked to pay more taxes. Some increase in the already high level of indirect taxes is also forecast.

When Mr Haughey was last in office six years ago, inflation was nearly 20 per cent.

Exports climbed by 14 per cent in 1987, with particularly impressive growth in the electronics sector. Agricultural exports also fared better than expected. For the first time in 20 years, there was a small current account surplus, and a surplus of more than I£300m is forecast in 1988.

The downside to these considerable achievements is an economy which at best is likely to have zero growth this year and an unemployment rate of 20 per cent, a figure only equalled by Spain among European Community countries.

In an economy where growth has traditionally been state-led, a double-digit reduction in capital spending has had a very serious impact. The health service has already felt the cuts: education is next in line. The Government is slashing the number of public servants by 10,000, 6 per cent of the total, over a three year period.

Last October, it agreed a "Programme for National Recovery" with the unions on limiting pay rises and reducing staffing levels. With few opportunities at home, the Irish have once again started to emigrate. More than 30,000, mostly young graduates, are expected to leave this year. The small, export-oriented economy is very vulnerable to world developments. Sudden currency fluctuations could knock any recovery off course.

Several fundamental ills have to be attended to before growth can be restored. The tax system is complex and unfair: state and industrial workers are burdened with tax rates among the highest in the world, while farmers and the self-employed pay little or nothing.

While Ireland has had considerable success in attracting foreign industries, there is growing criticism at the way companies from abroad, many of them capital rather than labour intensive, use extensive tax breaks and repatriate profits.

But there is, undoubtedly, a different atmosphere in Ireland. What Sean Barrett, an economist at Trinity College, Dublin, calls "the new reality."

Mr Haughey been helped in the implementation of a politically painful programme by the fact that the opposition Fine Gael party has long advocated such measures. He has administered the first bitter dose of economic medicine.

"Situation critical but not serious" was once a favourite maxim of Irish economic pundits. Now it is a case of serious, but no longer quite as critical as a year ago.

Haughey: conversion

Pravda hits at Paris, Bonn deal on defence

By Charles Hodgson in Moscow

THE Soviet Communist Party newspaper Pravda yesterday criticised the new defence agreement between France and West Germany, describing it as an effort to undermine the disarmament process in Europe.

Pravda said the agreement was "an attempt to break the process of disarmament and the establishment of new, truly peaceful relationships between states in Europe".

The newspaper said that the Franco-German agreement reflected the "disappointment and at times overt hostility on the part of some influential circles in certain Western countries" at the INF accord, signed at the Washington summit last month, which eliminates US and Soviet ground-launched missiles with a range between 500 and 5,500km.

This hostility, Pravda said, was motivated by the desire to retain "lucrative military orders" and the fear of losing the "national greatness" associated with possession of nuclear missiles.

The accord, signed by President Francois Mitterrand of France and Chancellor Helmut Kohl of West Germany last Friday, establishes a joint defence council with a secretariat in Paris and a 4,000-strong joint brigade stationed in West Germany.

While praising closer economic and financial ties between Bonn and Paris, Pravda said their planned expansion of military co-operation was "at variance with the tendency towards cuts in arms which had already led to the Soviet-US treaty on elimination of intermediate and shorter-range missiles and opened up prospects such as cuts in strategic offensive weapons.

It said the Franco-German agreement was "an attempt by militarist forces in West Germany to get closer to the nuclear missiles' control panels, in this case French ones" and added that it reflected a desire to find compensation for US nuclear missiles being withdrawn from western Europe under the INF treaty.

Pravda also pointed out misgivings expressed by other Nato members, particularly Britain and Italy. Both countries, with the Netherlands, have expressed concern that the bilateral agreement might result in a sub-group within Nato, leading to duplication of existing Western defence institutions

French go-ahead for Rafale fighter boosts Dassault

BY PAUL BETTS IN PARIS

THE FRENCH programme for a new generation fighter aircraft, Rafale, was given a major boost yesterday when Mr Jacques Chirac, the conservative Prime Minister, confirmed the development timetable of the controversial project.

Mr Chirac also indicated that France was not planning to buy American F-18 fighters to equip the French navy.

The French Government's decision on the Rafale, taken at a special inter-ministerial committee meeting, is especially important for Dassault-Breguet, the French aerospace group whose longer-term future hinges on the development of the combat aircraft.

Dassault has been forced to lay off workers and close plants for the first time as a result of a big fall in its military aircraft export orders. The company did not win a single military aircraft export order last year and is relying heavily on the Rafale programme.

Mr Serge Dassault, chairman of the company, warned last month that a French decision to acquire American F-18 jets for the French navy would place the Rafale programme at risk.

But the Government said yesterday that "France planned in the future to equip the French navy with French aircraft". A government official added after yesterday's meeting that there were no plans to buy US-built F-18s. "Mr Chirac was extremely clear on this point," he said.

Dassault had become increasingly alarmed over the possibility of F-18 purchases by France in recent weeks after the decision by the French navy to test the McDonnell Douglas fighter as a possible replacement for its ageing Crusader.

The Government also confirmed yesterday that the initial development contract for the Air Force and naval versions of the Rafale would be awarded by next April at the latest. This will include financing of the first two out of the five prototypes of the aircraft. The first prototype is scheduled to fly in 1990 with the fighter coming into service in 1996.

Mr Andre Giraud, the Defence Minister, indicated that possibilities of international co-operation on the new aircraft were "promising". Officials added yesterday that the Government wanted to carry through the Rafale programme "on a national and if possible European basis".

They indicated France was "very open" to co-operation and that there were discussions with Belgium, Spain, West Germany and even Britain. However, they did not specify the areas of possible collaboration.

So far, Belgium has shown the biggest interest in possible collaboration in Rafale. But the contacts with Spain, West Germany and Britain could be significant in that these countries are collaborating on the rival European Fighter Aircraft programme.

Government officials said the specific issue of the replacement of the French navy's Crusaders was not raised at yesterday's meeting. These are due to be replaced in 1993. To prevent the possible purchase of F-18s, Dassault has proposed extending their life for a few more years until the naval version of the Rafale is ready.

UN fund to aid poor seeks cash stability

By John Wyles in Rome

THE UN's International Fund for Agricultural Development yesterday began planning its second decade of activities in aid of the developing world's rural poor in some uncertainty about its future financing but counting solid achievements in its first ten years.

In his keynote speech at the opening of Ifad's governing council, President Ershad of Bangladesh stressed its value to a poor developing country such as his.

The organisation had made a "significant beginning" in addressing the problem of hunger, said the Bangladeshi president, but food production needed to remain a priority because of the continuing existence of malnutrition and hunger.

One of the main tasks of the the four day council will be to launch consultation process on replenishing the agency's funds. These have been progressively reduced in the last few years, partly because of the financial weakness of the Opec countries, from a replenishment of $1.1bn for the period 1981-84 to just $460m for 1985-87.

A special intergovernmental committee has sent a report to the council affirming that all categories of Ifad members have "reiterated their strong commitment to securing the future financial basis of Ifad

The committee urges that negotiations on this third replenishment of Ifad should be completed no later than six weeks before next December's session of the agency's excentive board.

Ifad's annual report says that since its foundation in 1978, the agency has helped to channel $10bn for 221 projects in 89 developing countries. This comprised $2.5bn in Ifad loans and grants, $3.4bn of matching funds from co-financiers and $4.2bn from the countries in which the projects are located.

Altogether its activities have touched the lives of 110m people in 89 developing countries. The largest share of financing, 39 per cent has gone to Asia, followed by 29 per cent for Africa.

In 1986, Ifad launched a special fund for sub-Saharan countries hit by drought and desertification which is designed to provide extra resources for smallholder farmers. In a speech at the Council's opening session yesterday, Mr Giovanni Goria, the Italian prime minister, announced that his government would add another $10m to the $25.6m Italy has already contributed to this fund. As a result, the $280m pledged in total is very close to Ifad's target of $300m.

Jakes permits press criticism in attempt to gain support

BY LESLIE COLITT IN PRAGUE

THE new leader of Czechoslovakia, Mr Milos Jakes, is permitting blunt criticism of his leadership to appear in the official media in an attempt to gain support from disaffected Czechoslovaks.

Simultaneously, the party has clamped down on the tiny but active Charter 77 civil rights movement. Its spokesmen and followers were taken into custody recently for trying to hold a political discussion "forum" in a Prague restaurant.

Czechoslovak officials said the leadership was trying to win over a segment of the population, which, although critical, was not overtly hostile. The party, however, would make clear to dissidents that their activities would be carefully "proscribed", the officials noted.

A new television programme, Probe, startled viewers earlier this month with the outspoken opinions of a group of factory workers. They said that, if the party wanted reforms, as Mr Jakes has said, the reforms must come from the "bottom and not the top". One televised worker commented on this grassroots approach by noting caustically that "with those people (the leadership) you can't do it."

The programme is the talk of Prague and a sign that Mr Jakes, who came to power last month, may be emulating General Wojciech Jaruzelski, the Polish leader, who has permitted greater criticism of the leadership.

Czechoslovak television also showed workers who complained that the same people who had ruled for the past 20 years – which implicitly included Mr Jakes – were demanding that they work harder. Such critical remarks are frequently voiced by ordinary Czechoslovaks but seldom heard in the official media.

By contrast, the security police pounced on Charter 77 in the early hours of January 17, when the civil rights group planned to hold its second discussion sessions, this time on political questions, in a Prague restaurant. The last meeting, on environmental damage in Czechoslovakia, took place in the same restaurant last December without incident.

This time the spokesmen and other prominent Charter signatories, such as Mr Vaclav Havel, the playwright, were told by security policemen to take "food, reading matter, and medicine, if needed" and taken to local police stations. They were held for the rest of the day while about 50 civil rights supporters who had gathered in the restaurant were dispersed.

The authorities were taken by surprise last month, when a demonstration took place in Prague's Old Town Square on United Nations' Human Rights Day. A number of the estimated 1,000 persons who gathered at the statue to Jan Hus, the Czech religious reformer, were taken into custody.

Swiss watch exports hit record

SWISS watch exports rose 1.6 per cent to a record SFr4.34bn ($3.2bn) last year despite a 3.1 per cent fall in sales to the US because of the weaker dollar, the industry announced yesterday, Reuter reports from Bienne.

The previous record – SFr4.3bn – was set in 1985.

In its annual review, the Swiss Watchmakers' Federation adopted a cautious outlook in the aftermath of the global stock market crash in October.

However, it said that the effect of the collapse had not been as serious as initially feared and that 1988 exports so far were holding up well.

Though the overall value of exports was up last year, volume declined to 59.7m watches and movements from a total of 60.7m in 1986.

Despite the 3.1 per cent fall, the US market remained the largest with 1987 sales worth SFr827.8m.

Among other major markets, exports to Hong Kong rose 11.3 per cent to SFr704.6m, to Italy by 9.9 per cent to SFr415.7m and to France by 0.9 per cent to SFr281.7m.

Sales to Britain were up 9.1 per cent at SFr199.1m while those to Japan increased 12.6 per cent to SFr197.6m. However, the value of exports to West Germany slipped 2 per cent to SFr364.1m.

Turkey charges politician

THE LEADER of a far-right political party appeared in a Turkish court yesterday accused of exploiting religion for political purposes by giving out copies of the Koran, the Moslem holy book, during November's Turkish election campaign, Reuter reports

The prosecution in the State Security Court demanded a jail term of up to five years on Mr Alparslan Turkes, chairman of the Nationalist Workers Party (NWP) and a former deputy premier.

Turkey, though a predominantly Moslem country, has a strictly secular constitution.

Mr Turkes denied distributing the Koran at a book exhibition organised by his party but said he might have handed out one or two copies along with other books to people who asked.

Mr Turkes, a deputy premier in the 1970s during a period of weak coalition governments, was jailed for several years and banned from political activity after a military coup in 1980 crushed political violence.

He became leader of the NWP after a referendum last September lifted bans on 55 former political leaders. His party did not win any seats in the 450-member National Assembly in November's general election.

Brezhnev son-in-law to face corruption charges

MR YURI CHURBANOV, the son-in-law of Mr Leonid Brezhnev, the late Soviet leader, will go on trial for corruption and taking bribes, the Soviet news agency Tass said yesterday, Reuter reports from Moscow.

Tass quoted a government official as saying that investigations were continuing into the case of Mr Churbanov, formerly a senior government official, who has been held in jail since his arrest in 1983.

"He has been charged with taking bribes of more than 650,000 roubles ($1.1m) and with abusing his official position," said the official.

"At present the accused is being acquainted with the material of the investigation, after which he will be brought to trial," he added.

Earlier this month, Mr Gennady Brovin, Mr Brezhnev's private secretary, was jailed for nine years for taking bribes while in office.

The government newspaper Izvestia said Mr Brovin had received about 19,000 roubles ($30,000) in bribes.

A wide-ranging anti-corruption campaign has been launched under Mr Mikhail Gorbachev, the Soviet leader, who has criticised the Kremlin leadership under Mr Brezhnev of allowing the country to sink into social and moral stagnation.

Greek museum keeps room for Elgin marbles

A ROOM will be left empty in Athens' new Acropolis museum to await the Parthenon or Elgin marbles which Greece is claiming back from Britain, Ms Melina Mercouri, Greek minister of culture said yesterday, Reuter reports from Washington

"We will have an empty room in this museum to wait for the marbles of the Parthenon," she said. The museum at the foot of the Acropolis is due to be completed in two or three years.

One of Ms Mercouri's main goals as minister has been to persuade Britain to return the marble frieze of the Parthenon, known as the Elgin marbles, which are in the British Museum in London.

Malta plans to give president wider powers

By Godfrey Grima in Valletta

MALTA'S presidency, now a largely ceremonial office, would be given much wider powers under sweeping constitutional changes proposed by an all-party parliamentary committee.

The changes, which seem likely to be approved by parliament in March, could transform Malta's political life, which has been marked by deep division between the pro-Western Nationalists, now in government, and Mr Dom Mintoff's Socialists.

Mr Mintoff currently seems to have the best chance of succeeding Mr Paul Xuereb, the acting president, as head of state later this year. It is not known whether the Nationalist party of Dr Eddie Fenech Adami, the Prime Minister, will field a candidate.

The last major constitutional change was in January 1987, when it was agreed that a party gaining more than 50 per cent of the vote, but less than half the parliamentary seats, could form a government. This paved the way for a Nationalist administration. Both parties later agreed that the power of the presidency should be bolstered.

The report suggests the creation of powerful councils, most of them headed by the president, whose functions would include keeping an eye on foreign policy and administering the courts and the armed forces.

It also proposes a State Council in which the president would have a casting vote in the event of disagreement between the Prime Minister and the leader of the opposition. The Council could vet treaties with foreign governments. The objective is to ensure Malta's neutral status and key constitutional provisions which would remain permanently in force whichever party was in power.

Rosy forecast of Spain's GDP

BY TOM BURNS IN MADRID

SPANISH government statistics revealing a 1987 economic performance exceeding expectations have been reinforced by a report issued today by the Organisation for Economic Co-operation and Development which forecasts continued strong growth in Spain during the next two years.

Declaring 1987 to have been "extraordinarily good in comparison to previous years", Mr Carlos Solchaga, Economy Minister, said provisional government figures indicated Spain's gross domestic product had grown by 4.8 per cent in 1987.

An estimate by the Bank of Spain last week put the 1987 GDP growth at 4.6 per cent but Mr Solchaga said the final figure could be 4.9 per cent. The minister also announced that inflation last year had been brought down to 4.6 per cent from a 1986 December-to-December rate of 8.3.

The Government had targeted a reduction in the price rise index to 5 per cent.

The OECD report noted that the record of the Spanish economy, measured by macro-performance indicators, had been "quite impressive". It underlined a strong balance of payments position, despite a marked reduction in real net exports, a narrowing of the inflation gap in relation to OECD averages, and a sharp acceleration of aggregate growth, and, notably, of employment which was making "first dents in the very high rate of unemployment".

Noting an improved business climate due to rationalisation efforts of previous years, which included greater flexibility in the labour market and the reorganisation of public enterprises, the report highlighted the strong boost to the economy that EC membership had provided over the past two years.

The upbeat figures presented by Mr Solchaga included a 3 per cent increase in the actively employed population with the creation of 330,000 jobs last year and a 14.4 per cent increase in gross capital formation.

The OECD report, underlining a "spectacular" improvement of the capital account, said private long-term net investment inflows could be as high as $9bn in 1987 following strong inflows in the previous two years.

The report said that despite the recent past and the satisfactory short-term prospects there was reason for concern over the Government's inability to reduce a structural deficit and over Spain's deteriorating real foreign balance.

Poles close 'arms sales' company

By Christopher Bobinski in Warsaw

The Polish Government said yesterday it had closed down a company which had reportedly been identified by the US Government as a front for the Abu Nidal guerrilla network.

Mr Jerzy Urban, the government spokesman, said the authorities had shut the Warsaw offices of SAS Ltd in August and added that its Palestinian business manager, Mr Samir Hassan Najmeddin, had left Poland on January 14.

The New York Times quoted a classified State Department report as saying that for four years the company had run a financial operation trading arms for consumer goods.

The report was said to name Mr Najmeddin as Abu Nidal's chief financial officer, and to allege that he brokered arms sales on behalf of Warsaw Pact and Middle East governments, giving commission to Abu Nidal.

Mr Urban said the Government had no knowledge of any links between the company and Abu Nidal.

But he added that "the functioning of the company here did not lie in the interests of our country, and its licence was accordingly withdrawn".

According to the New York Times, the State Department report spoke of intense American pressure on the Polish Government to put a stop to the company's activities.

It said the Americans almost made the document public earlier this month, after the Poles failed to deliver on an assurance that Mr Najmeddin would be out of the country by January 1.

Austrian champion of 'hard schilling' dies

BY JUDY DEMPSEY IN VIENNA

MR Stephan Koren, president of the Austrian National Bank and the banker who defended the "hard schilling" which was linked to the D-Mark, died yesterday in Vienna after a long illness. He was 68.

During the late 1960s, Mr Koren, as state secretary to Mr Josef Klaus, then Chancellor of Austria, and later as Finance Minister in the Conservative People's party, unsuccessfully argued the case for a close link between the Austrian schilling and the D-Mark.

As Finance Minister, he also suggested increasing taxes on certain goods as a means of reducing what was then a small budget deficit. That measure was highly unpopular and it partly contributed to the return of the Socialist party to power in the election of 1970.

Mr Koren's policy for the schilling was finally accepted after Mr Hannes Androsch, who was Finance Minister from 1970-81 and later chairman of Creditanstalt-Bankervein, Austria's largest bank, implemented the policy.

President leads in Finland's passionless polls

Olli Virtanen reports on the prospects for the likely runners-up

ANALYSTS AND opinion polls consistently agree that there is only one possible winner in Finland's presidential elections at the beginning of next month. But, although the incumbent, Mr Mauno Koivisto, may be head and shoulders above the other four candidates – even physically – the result may still provide suprises.

The main focus is now on the two likely runners-up, Mr Harri Holkeri, the Prime Minister and leader of the Conservatives, and the opposition leader Mr Paavo Vyrynen of the Centre Party. The questions at issue are whether the two non-socialist candidates will join forces to provide a more viable challenge to Mr Koivisto, the candidate of the Social Democratic Party, or whether they will fight each other to the bitter end. Looking ahead, there is also the question of which one of the two will end up better placed in the following elections in 1994.

The most recent polls would give Mr Koivisto 55 per cent of the vote, while Mr Holkeri at 15 per cent and Mr Vyrynen with 13 per cent seem to be in a hopeless situation. The two other contenders, Mr Kalevi Kivisto and Mr Jouko Kajanoja, representing different shades of socialism, have backing of 5 per cent or less each.

Koivisto: ahead of rivals

Even in the unlikely situation of Finland getting a non-socialist president few things would change either in the country's domestic or foreign policy. In line with the prevailing consensus policy, the main candidates have been hard pressed to find differences in their views on major issues.

Mr Koivisto and Mr Holkeri, in particular, do not want to rock the boat. Unlike in France, for example, the two Finnish leaders have not disagreed on any government decision and they are unwilling, or too polite, to start now.

Mr Vyrynen, on the other hand, has raised his profile both on the domestic scene and in international affairs. He is the only candidate openly criticising his rivals and he may still feel bitter about Mr Koivisto's decision a year ago to form a government without the Centre Party. Yet, none of the candidates challenges Finland's basic foreign policy position of staying neutral and maintaining good relations with its neighbours, most notably the Soviet Union.

Finland's president has sweeping powers, in particular to dissolve the parliament and appoint the prime minister. But he is supposed to remain above party politics and, in this context, Mr Koivisto resigned from the Social Democrats when he came to power six years ago.

By most estimates, Mr Koivisto has managed to fill the huge vacuum left by his predecessor Mr Urho Kekkonen, who governed Finland for 25 years. But the style of the present incumbent differs totally from that of the vocal, innovative and powerful Mr Kekkonen. A modest man with a low profile Mr Koivisto has even been accused of inaction. Finland's role in international affairs may diminish as Mr Koivisto is unwilling to come up with new international initiatives. He has also held back from reversing the sinking trend in trade with the Soviet Union as President Kekkonen had done. Nevertheless the current president has been successful in pursuing virtually unchanged the foreign policy created by Mr Kekkonen and his predecessor Mr Juho Paasikivi.

The elections will introduce a new, two-stage polling system in the presidential elections. Two votes will be cast in the elections held on January 31 and February 1, one for a presidential candidate and one for a candidate for an electorate college which will convene on February 15 to elect a president if no candidate obtains over 50 per cent of the votes directly.

This system provides interesting scenarios. Many analysts expect that Mr Koivisto will not win on the first round despite his strong performance in opinion polls. As a result Mr Holkeri and Mr Vyrynen may join forces and decide to back the one who is ahead after the first round. Considering that many of Mr Koivisto's electors will be apolitical persons – reflecting his widely-based backing in society – some of them might change their allegiance and back a joint non-socialist candidate and thereby bring about a surprise victory. But for the moment Mr Koivisto seems likely to get his second term, while the runners-up will start planning for 1994.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Rabin faces court challenge over army policy in Gaza Strip

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK RABIN, Israel's Defence Minister, has received a legal challenge to his controversial order to troops to beat Palestinian protesters, and could face criminal charges. The formal complaint, submitted by a Jewish Israeli lawyer, comes amid growing misgivings among local and foreign lawyers over the validity of the Government's policy.

Charges were filed on Monday with Mr Yossef Harish, the Attorney General, by Mrs Felicia Langer, a prominent left-winger, on behalf of a sample group of 19 Gazans. Young boys and men ranging in age from 10 to 75 all submitted sworn affadavits from their hospital beds that they had been severely beaten by troops using sticks, iron bars and rifle butts while in their homes.

Describing Mr Rabin as "a dangerous criminal", Mrs Langer told the Financial Times yesterday the orders the soldiers had received were "so clearly illegal" that it had been their duty not to obey them.

Arguing that the policy of combining curfews with beatings had proven itself, the veteran Defence Minister nevertheless acknowledged yesterday that some soldiers had committed abuses – and said they would be punished.

Five Gazans facing deportation to Lebanon have meanwhile dropped their appeal to the Israeli Supreme Court and could be expelled imminently, raising the prospect of a fresh wave of unrest in the occupied territories. In a handwritten note from jail, the five said they were withdrawing their appeal so as to deny an appearance of legitimacy to the act of expulsion.

Four of the five are religious activists believed linked to the Islamic Jihad organisation, while the fifth is a known local leader of Mr Yassir Arafat's Fatah branch of the PLO. Like the four others expelled to Lebanon two weeks ago, the five have appealed to the Soviet Union and Western governments to intercede on their behalf.

The Defence Minister revealed yesterday that the policy on inflicting beatings has, in fact, been in force since January 4 – well before last Wednesday's formal approval by the Cabinet. Although no Palestinian fatalities have been reported for the past 11 days, troops are still restorting occasionally to live ammunition.

Israel's inflation rate is expected to drop to 10 per cent in 1988, its lowest level in nearly 20 years, according to government forecasts released yesterday, Judith Maltz reports from Jerusalem. The achievement follows last year's inflation rate of 16 per cent.

● **MR RUUD LUBBERS, Dutch Prime Minister and Mr Hans van den Broek, the Foreign Minister may cancel a planned trip to Israel in May unless violence in the occupied territories diminishes, a Foreign Ministry official said yesterday, Reuter reports from The Hague.**

Mr Lubbers has said that he hopes to go ahead with the trip, but warned last Friday he might give up his plans if the situation did not improve.

He said Mr van den Broek raised the issue with Mr Zev Suffot, Israel's ambassador in The Hague, when he summoned the diplomat earlier this month to express Dutch concern that Israeli measures in the territories contravened international law.

Gandhi flaunts Bofors gun as arms scandal recedes

BY JOHN ELLIOTT IN NEW DELHI

A 155mm Bofors howitzer gun rumbled down New Delhi's grand Rajpath ceremonial avenue yesterday as a symbol of Mr Rajiv Gandhi's growing political confidence that he has overcome corruption and other allegations which last year threatened his short career as India's Prime Minister.

The gun was the star attraction of Delhi's colourful annual Republic Day parade. It was making a high profile first appearance to the Indian general public less than 24 hours after Sweden's chief public prosecutor announced in Stockholm that he was abandoning investigations into corruption allegations on Bofors' $1.4bn contract for supplying the gun to India.

Yesterday opposition politicians condemned the Swedish prosecutor's decision which blocks their most promising source of new information. They accused Mr Gandhi of coming to an "unholy understanding" with the Swedish Government when he visited Stockholm late last week for a nuclear disarmamanent conference and for general talks.

Allegations of corruption, possibly involving Mr Gandhi, or his family and close friends, rocked the administration last summer and became the focal point of a series of damaging political setbacks for the young Prime Minister.

Now Mr Gandhi is trying to launch a new image as a confident national leader in preparation for a general election due at the end of next year. He changed the chief minister of the western state of Rajasthan recently at the start of an expected gradual regional and Cabinet reshuffle aimed at strengthening his Congress I Party.

For this political campaign to be successful, it is important that the Government should not be rocked by new corruption allegations, nor by fresh revelations on either the Bofors order or a similar bribes scandal over a West German submarine contract.

It is believed that seven names of people or organisations linked with Bofors bribes and agents' payments have already been handed over to the Indian Government by Sweden and are expected to be published later. They are thought to include three Indian names including Mr Win Chadha, Bofors' former Delhi agent who is now in hiding in the US. The four other names are not believed to include any embarrassing Italian or other European links with Mr Gandhi, nor with people close to him who have been named in the allegations.

These people include relations of his Italian-born wife Sonia, and a controversial Switzerland-based brother of Mr Amitabh Bachchan, a famous Indian film star and close friend of the Prime Minister.

Colina MacDougall analyses a population growth rate threatening standards of living

The risks of China's Year of the Dragon

A CRISIS over food, prices and population growth has blown up in China which may scupper all attempts at boosting living standards and economic reform.

The Chinese authorities have pleaded with couples not to have extra children in the coming "lucky" Year of the Dragon, which begins on February 18. The dragon is a symbol of wisdom and power and the year itself is doubly auspicious because of the associations with the figure eight. The leadership is emphasising this point since its policy of one child per family has not been adhered to.

All within the period of a few days earlier this month, Peking drew what it called a "grim" picture of its agricultural situation, issued more price control regulations and sacked its family planning minister.

Last December's rationing of pork, eggs and sugar, the stagnant grain production and a new high in population growth together present the kind of threat to development and even political stability that China has not seen since the mid-1970s.

He Kang, the Minister of Agriculture, Animal Husbandry and Fisheries, told one of China's top governing bodies, the

"One child for one couple is not a truth of nature"

Standing Committee of the National People's Congress, that despite growth in 1987, the country faced a bleak agricultural situation with conspicuous shortages of major farm and livestock products.

At the same Standing Committee meeting, Wang Wei, the minister in charge of the Family Planning Commission was replaced by Peng Peiyuan. "We are facing a population crisis," the People's Daily wrote, predicting a figure of nearly 1.3bn for the population by the year 2000. "One false move may lose the game," the paper added, no doubt mindful of the UN Fund for Population Activities' projection of 2bn by the year 2030 if growth continues at the present annual rate of 1.4 per cent.

The situation is heightened by the leadership's very real anxiety over worker discontent. The benefits of reform have been spread unevenly and city incomes have often been eroded by rising prices. This is all the more serious because Peking has fuelled expectations with promises of a better life and more appreciation of the comforts in the outside world.

While last year's grain output was not that low in absolute terms, amounting as it did to 397m tons, it did not regain the 1984 peak of 407m. With the population currently increasing by 13m or 14m a year, this is nowhere near enough.

The fall has made feedgrain for livestock expensive, costs which cannot be recouped on sales. Concern over free market prices for food two years ago led the authorities to slap on controls, particularly on the price of pork.

Overall, the peasants' enthusiasm for production has been dampened, He Kang said, blaming the state's low purchase prices since 1985 for grain, pigs, cotton and sugar. "Agricultural production costs have risen dramatically," he added, listing diesel and chemical fertiliser as the chief offenders.

Peking subsidises food prices to the consumer because it is terrified of pushing inflation up far beyond the 7 or 8 per cent it admits to. But this inevitably means still greater demand. In any case, even the current subsidies form a huge burden which it would be deeply reluctant to magnify.

The logical answer is de-restriction of the markets so the farmers could obtain the economic price for their pigs, but fear of real trouble with the urban population will prevent Peking taking this step. In any case, the food price issue is intimately tied in with the question of prices at large, which the reformers would dearly like to decontrol but dare not for fear of the ensuing chaos.

"The most prominent and pressing question at the moment is to maintain the stability of prices," said the People's Daily a few days ago, and the State Council has issued regulations to curb "evil practices" and "wanton price increases". While these relate in the main to producer goods prices, there is a knock-on effect which would certainly be seen in food.

"In order to arouse peasants' enthusiasm for production, we must readjust the prices for farm products," said the minister, "but we must also consider the tolerance of city people and enterprises." Some price juggling will be done, but China's real shortage of cash will mean that neither farmers nor consumers will get much of a deal.

The inevitable belt-tightening will be accompanied by a new birth control drive. "To be honest," wrote the People's Daily, "the principle of one child for one couple is not an absolute truth of nature."

But "we have no other choice," the paper declared. Indeed, with the 1960s baby boom coming into child-bearing age, even this might not be enough. Yet the prospect of a severe birth control campaign, plus falls all round from the recently acquired standards of living, does not bode well for the future.

Border disputes erupt in Indo-China

By Our Foreign Staff

LONGSTANDING border disputes in Indo-China have erupted again recently with China accusing Vietnam of attacking its border and Laos calling for negotiations with Thailand to end the "useless bloodshed" in border skirmishes.

The Vietnamese Foreign Ministry in Hanoi denied Japanese press reports that China and Vietnam had signed a ceasefire pact. Each side accused the other of starting the most recent attacks. A Chinese radio broadcast said Chinese frontier forces had stepped up security patrols following attacks by Vietnamese artillery and saboteurs.

China and Vietnam are historic adversaries. China made an inconclusive incursion into Vietnam in 1979 in retaliation for Vietnam's overthrow of the Peking-backed Khmer Rouge in Kampuchea.

Peking has said it will not normalise relations with Hanoi or Moscow until Vietnam pulls its more than 100,000 troops out of Kampuchea to end the Soviet-backed occupation. Mr Mikhail Gorbachev, the Soviet leader, has been urging a Sino-Soviet summit to discuss such problems rather than delaying it until after they are solved. He repeated his calls again earlier this month and it would be unusual if such a plea were accompanied by military attacks on China by Vietnam, the Soviet Union's strongest ally in the region.

Last week, Hun Sen, Prime Minister of the pro-Hanoi Kampuchean government, held an inconclusive round of peace talks in Paris with Prince Norodom Sihanouk, the exiled Kampuchean leader.

The Laotian government said this week it was willing to hold talks with Thailand in Bangkok or Vientiane early next month to try to settle the ownership of a remote, jungle slice of the border. About 70 soldiers of the two countries are reported to have died since August in fighting over the area.

Angola 'holds town'

Angola said yesterday that its armed forces were still in control of the strategic south-eastern town of Cuito Cuanavale, Reuter reports from Luanda. The troops were strengthening their defensive positions to withstand a continuing attack by South African troops, a Defence Ministry spokesman said.

He categorically denied a claim by Angolan Unita rebels issued in Lisbon that government forces had fled the town on Friday after a month-long siege.

Bangladesh riot as strike closes banks

AT LEAST 100 people were injured in clashes between Bangladesh riot police yesterday and anti-government strikers, according to opposition leaders, Reuter reports from Dhaka.

Police said 45 people were arrested for attempting to organise illegal rallies.

The strike – the 20th in two months – was called to protest against police shooting in the southern port town of Chittagong which the opposition said killed 17 people and wounded more than 300 at a weekend rally.

Earlier yesterday hundreds of home-made bombs packed with metal fragments exploded in the streets of Dhaka apparently to scare people into staying at home during the strike.

Police said offices, banks and shops across the country were closed and little transport moved.

Officials said government buses, which have operated in previous strikes, had to stay off the roads because fuel-tanker drivers joined the strike.

Grocery shops in Dhaka were emptied because of panic buying on Monday night and some grocers said they were unable to replenish stocks because of the strike.

Dhaka police said the 12-hour strike passed off peacefully except for some stray incidents near Dhaka University and the Motijheel commercial district.

At least 30 opposition activists attempting to organise pickets were hurt when police dispersed them with teargas. A government car was set on fire, police said.

In Chittagong yesterday, more than 25,000 dock workers stayed at home. Police with clubs chased stone-throwing protesters and about 50 people, including two policemen, were hurt.

Police said 20 people were also injured in clashes in Narayanganj, Khulna and Rajshahi towns.

Opposition leader Sheikh Hasina said the strike demonstrated widespread anti-government sentiment.

"It is high time the Government resigned. Tomorrow may be too late," said Mr Hasina, chief of the Awami League, as the strike ended.

The Government said nine people died in Sunday's Chittagong incident. One man died of wounds in hospital yesterday, officials said.

"The police had to open fire because the opposition activists attacked the security forces with hand grenades and firearms," a government statement said. Strikes and protests have been staged by 21 opposition parties since November 10. Their intention is to force President Hossain Mohammad Ershad to resign. Mr Ershad, who seized power in a 1982 coup, has refused.

Last month he dissolved parliament and called fresh elections in March which the opposition has vowed to boycott.

The Government on Monday banned anti-election rallies and protests.

UK 'supportive' of Mubarak peace policy

By Our Middle East Staff

PRESIDENT Hosni Mubarak of Egypt yesterday received a sympathetic general endorsement of his Middle East peace initiative from Mrs Margaret Thatcher, the British Prime Minister, prior to his visit to Washington, the most important stop in his tour of Western capitals.

What were described in Whitehall as "supportive noises" from Downing Street may fortify him in his exchanges with President Ronald Reagan. However, the British assessment is that the US Administration is unlikely to act on the proposals.

Talks concentrated on the recent Palestinian uprising in the occupied territories which Mrs Thatcher and Mr Mubarak agreed made it even more urgent that "bilateral negotiations" were held between Israel and the Arab parties to the central Middle East conflict within the context of an international peace conference.

The essence of Mr Mubarak's initiative is that before a conference is convened the indigenous inhabitants of the occupied territories should renounce violent opposition and Israel should freeze settlements.

RETALIATION FOR ATTACK ON SOUTH KOREAN AIRLINER

Tokyo sanctions for N Korea

BY IAN RODGER IN TOKYO

THE Japanese Government imposed a series of diplomatic sanctions on North Korea yesterday in retaliation for what it said was that country's terrorist attack on a South Korean airliner last November.

However, the Government stopped short of applying economic sanctions, partly through a desire not to intensify tensions in the Korean Peninsula and also out of concern for the fate of two Japanese fishermen who have been held captive in North Korea for several years.

All 115 people aboard a Korean Air Lines Boeing 707 were killed when the aircraft crashed in the Andaman Sea following an explosion on board.

In a statement, the Japanese Government said the sanctions, which are similar to those already imposed by the US, were applied because of its "conviction" that North Korean terrorism was responsible for the crash and because of the "deplorable" attempt of the terrorists, through the use of counterfeit Japanese passports, to make it appear as if Japanese people were responsible for it.

Foreign Ministry officials said later that they had reached their conclusions partly on the basis of investigations by the South Korean authorities and partly through their own investigations related to the counterfeit Japanese passports carried by the two people captured in Bahrain shortly after the crash.

A Japanese Foreign Ministry official, Mr Hitoshi Tanaka, visited Seoul last week, speaking with South Korean government and opposition leaders and with North Koreans living in Seoul about the case. He also interviewed Miss Kim Hyon Hui, the woman captured in Bahrain who, since being returned to South Korean custody, has confessed to carrying out the bombing on behalf of the North Korean Government.

Japanese Foreign Ministry officials said yesterday that Mr Tanaka had heard "no voice of doubt" on his visit to South Korea about the cause of the disaster. They dismissed suggestions made in the Japanese press that Miss Kim might be a double agent working for South Korea, saying that the South Korean authorities have made a very careful investigation, that Japan had been involved in the investigation and that the US Government also had no doubts about the findings. "If you have any evidence, let me know," an official said to foreign journalists.

The Japanese sanctions are similar to those taken against North Korea after a bombing incident in Rangoon in 1983 that killed 17 visiting South Koreans. Contact between North Korean and Japanese diplomats in third countries will be severely restricted.

All special aircraft flying between Japan and North Korea even when registered in a third country, will be refused permission to land on Japanese territory. The landing of crews of North Korean ships visiting Japanese ports will be restricted.

In principle, Japanese government officials will not visit North Korea and North Korean officials will not be allowed to enter Japan. However, exceptions could be made, especially if it concerned the captured fishermen.

Japanese officials said the measures would be reviewed following the completion of the Olympic Games in Seoul this summer and could be removed, depending on the attitude of North Korea.

The European Community yesterday condemned the destruction of a South Korean airliner but avoided apportioning blame for the attack which cost 115 lives, Reuter writes from Bonn. A statement released by the Bonn Government, current EC president, said:

"The Twelve take note of the findings of the (South) Korean authorities' investigation into the destruction of Korean air flight 858 on November 29, 1987 and of the presently available indications implicating a North Korean woman in this incident."

South Korean Premier replaced

PRESIDENT Chun Doo Hwan of South Korea yesterday sacked his Prime Minister and three Cabinet ministers in a move seen as strengthening the hand of his successor as president, Mr Roh Tae Woo, Reuter reports from Seoul.

Mr Roh, chairman of the ruling Democratic Justice Party, had argued for substantial Cabinet changes to counter growing public anger over an alleged cover-up of the death of a student under police torture.

Mr Lho Shin Yong, 57, the Prime Minister, was removed yesterday. He accepted "moral and political responsibility" for the current crisis of confidence in the Government. He is replaced by Mr Lee Han Key, a relatively unknown law professor.

Mr Kim Mahn Je, the deputy prime minister, also went yesterday together with Mr Chung Ho Yong, the Interior Minister, and Mr Kim Seung Ky, the Justice Minister.

Even more significant to some analysts was the removal of Mr Chang Se Dong, one of President Chun's closest confidants and director of the Agency for National Security Planning – the former Korean Central Intelligence Agency.

Shorter Pacific Basin-Europe flying times predicted

BY ROGER MATTHEWS IN SINGAPORE

THE PROSPECT of significant improvements to air traffic routes within the Asia-Pacific region and in its links with Europe was raised yesterday in Singapore by Dr William Fromme, director of the Air Navigation Bureau at the International Civil Aviation Organisation.

Addressing delegates on the second day of the Financial Times conference on civil aviation in the Pacific basin, Dr Fromme said that one of the early benefits could be reduced flying times to Seoul before the Olympic Games later this year, and the option of additional non-stop flights from Europe to Asia.

Other areas where efforts were being made to reach agreement on more direct flight paths included Peking-Tokyo, Bangkok-Manila and Bangkok-Hong Kong. Progress was also being made on routes connecting southern Africa with the Far East through Mauritius to Thailand and Singapore, and these were now close to implementation.

Dr Fromme was also optimistic about the benefits which would eventually come from the work which was being done on Future Air Navigation Systems which laid particular emphasis on the use of satellites. It had the potential, said Dr Fromme, for worldwide direct routing systems, greater freedom in route and altitude selection and therefore savings in both time and fuel.

Mr Charles Masefield, deputy managing director of the civil aircraft division of British Aerospace, stressed that although unusually long distances had to be flown to get to the Asia-Pacific region, intra-regional routes were of a similar distance to international routes in the rest of the world.

If the US and the Soviet Union were excluded, domestic flights in the region were in fact on average shorter than in the rest of the world. Regional variations were also considerable, requiring anything from 19-seat commuter aircraft in some countries to the Boeing 747s which were used on Japan's domestic services.

The scope for expansion of domestic flights was vast, and, in common with other speakers, Mr Masefield pointed to the enormous potential of China. The size of the country dictated that jet aircraft would dominate the Chinese market.

Indonesia had some of the same characteristics and while the need for turbo-props might in large part be satisfied by the indigenous industry there would be a growing requirement for jets in the 100-seater class.

Another area of growth emphasised during the conference was that stimulated by the tourist industry. Mr Jean-Robert Reznik, chairman of Club Mediterranee, said an innovation which could have a large impact on Asia tourism would be the introduction of an aircraft capable of short landing and takeoff distances. It could open up a new range of destinations, he said, particularly in Indonesia and the Philippines.

However, Mr Reznik warned that it was essential to keep up the fight to control costs and to guarantee the safety of the travelling public which was "the pillar of our industry".

The aircraft manufacturers reflected the general air of optimism at the conference. Mr Tom Craig of Boeing, Mr Stuart Iddles of Airbus Industrie and Mr Gareth Chang of McDonnell Douglas China, outlined the developments within their own companies and how they expected to benefit from the strong growth of the Asia-Pacific region.

Mr Craig believed that the increase in traffic would be phenomenal and emphasised the role which would increasingly be played by two-engined aircraft operating over long distances.

Mr Iddles stressed the need to produce aircraft which were sensitive to the tolerance level of passengers, whichever class they were flying.

He believed that the new generation of long haul aircraft now being designed would bring advantages to passengers and to crews and therefore to the airlines. "The view of the future is by no means more of the same: the real profit-making, very long range airliner is now in development, which is a major step forward," he declared.

Mr Edward Bavaria of GE Aircraft Engines assessed the future for propulsion systems as the demands from the aircraft manufacturers inevitably increased.

Much of GE's work had been derivative in that it built and developed a family of engines. However, the new unducted fan engine was "truly revolutionary" and the stakes were high with a new programme requiring an investment of more than $1bn.

Mr Bavaria said there had been no indication of any sort which made the company doubt the wisdom of pressing ahead with the engine's development.

FT CONFERENCE

Civil Aviation in the Pacific Basin: The Pattern of the Future

Argentina breaks bar on official UK visits

By Jimmy Burns

ARGENTINA has sent a senior government official to Britain for the first time since the Falklands War in 1982 in what it regards as a small but potentially important gesture of diplomatic goodwill.

Until recently the official Argentine Government position was that no member of the Cabinet should visit Britain officially in the absence of formal diplomatic relations and of full fledged negotiations on the future of the Falkland Islands.

However, it emerged yesterday that Argentina – with the apparent tacit approval of the UK – has got round the apparent diplomatic impasse by having Mr Rodolfo Rodriguez, an Under Secretary of Health with the rank of junior minister, to lead a "one man" Argentine delegation to the world ministerial summit on Aids prevention hosted by the UK this week.

Although ostensibly in the British capital to talk strictly on health-related issues preferably with other countries except the UK, Mr Rodriguez has been given the approval of his Foreign Ministry to extend contacts beyond the summit.

"I have been told that I have no limitations as to who I can see". Mr Rodriguez said, although as of yesterday no official contact with the Foreign Office had been arranged.

Mr Rodriguez said yesterday that it was the express wish of his Government that he should come to London to reassure local opinion about the stability of Argentine democracy in the aftermath of the attempted military rebellion and about Buenos Aires's continuing commitment to negotiate a settlement over the Falklands.

US orders rise

ORDERS for US durable goods shot up by $7.4bn, or 6.7 per cent between November and December, giving evidence of growing strength in the American industrial sector, writes **Nancy Dunnein Washington.**

These orders have now risen for four consecutive months. The monthly gain was the largest since the 6.9 per cent rise in September 1986.

Non-defence capital goods increased 13.3 per cent to $34.2bn, the largest increase since December 1985.

Boost for 'wimp' Bush after TV shouting match

BY LIONEL BARBER IN WASHINGTON

US VICE President George Bush may finally have buried his "wimp" image.

During a nine-minute shouting match with CBS evening news anchorman Mr Dan Rather, Mr Bush accused the network of staging the live interview under false pretences by turning a campaign profile into a cross-examination on the Iran-Contra scandal.

Some 16m Americans watched the confrontation on Monday night. Thousands yesterday deluged CBS with complaints about Mr Rather's hectoring manner and expressed support for the Vice President.

Coming less than two weeks before the Iowa presidential caucuses – the first real test of the campaign – the rumpus may give Mr Bush, the Republican frontrunner, a short-term boost. But it spotlights the Vice President's difficulties in escaping questions about his role in the arms-for-hostages dealings with Iran.

The confrontation began after a six-minute taped report narrated by Mr Rather and viewed by Mr Bush on a monitor in his Senate office. The report suggested Mr Bush had not been candid about his role in the covert supply of arms to the Nicaraguan Contra rebels and the sale of arms to Iran.

Mr Bush said: "I thought this was a news programme. You've impugned my integrity.

Mr Rather responded: "One third of Republicans in this poll . . . believe you're hiding something."

As the two men jousted, Mr Bush, whose preppy image dogged him in the 1980 presidential campaign when he lost to Ronald Reagan, stunned Mr Rather by saying the emphasis on Iran-Contra was no fairer than judging the anchorman by his walkout last year from a CBS studio which left the network blank for six minutes.

Mr Rather hit back: "You have made us hypocrites in the face of the world," he declared, before pulling the plug on Mr Bush to make room for commercials.

TV commentators judged Mr Bush a clear winner. Mr Tom Shales of the Washington Post said of Mr Rather: "Cries for his scalp may become deafening." Mr Bush boasted to campaign staff: "The bastard didn't lay a finger on me."

Mr Rather – who is reputedly paid $3m a year – succeeded Mr Walter Cronkite in 1981 as CBS Evening News anchorman. His aggressive style has led to a stormy career. Last year, his programme fell to third place, scored its lowest ratings ever, and the news division was subject to budget cuts and firings.

Mr Rather's emotional, hostile performance is likely to undermine the networks claim to objectivity at a time when they are facing competition from other electronic media. The politicians too are likely to renew efforts to set tough conditions before appearing on the air. As Mr Bush said after Monday night in the news den: "No more Mr Inside stuff after that."

Colombian president in pledge on drug gangs

COLOMBIAN President Virgilio Barco said yesterday the government would not cave in to drug traffickers who murdered chief prosecutor Carlos Hoyos, **AP reports from Bogota.**

"I want to say to all law breakers that try to terrorise and back Colombia into a corner, that terrorism and organised crime cannot intimidate us.

Hoyos and two bodyguards were attacked on Monday by at least six men with machine guns as they approached the airport serving Medellin, the center of the country's illicit drug trade. He had been in Medellin to investigate last month's release from prison of reputed cocaine baron Jorge Luis Ochoa Vasquez. The United States had been trying to extradite Ochoa, who it says is second-in-command of the Medellin Cartel.

The prosecutor recently ordered the investigation of two judges and five government officials for suspected involvement in Ochoa's release.

Markets urged to reassess controls

By Janet Bush in New York

THE General Accounting Office, the US Government's watchdog, yesterday delivered its report on October's share price collapse and recommended that the financial markets develop formal contingency plans between the various market segments to deal with times of crisis.

The Office focused particular attention on the performance of the New York Stock Exchange's automated system which it said had adversely affected the execution of trades and pricing information both on Wall Street and in other markets. While acknowledging that the NYSE had taken various measures to iron out these problems, it said further steps needed to be taken as quickly as possible.

It also said the Securities and Exchange Commission should reassess its overall supervisory role and its capability for evaluating automated systems.

The GAO said that, given the need to assure financial system liquidity and increased internationalisation of markets, an appropriate overall regulatory structure should be developed. The need for overall control would become even greater if the remaining barriers between the business of commercial banks and securities houses were broken down.

The GAO's recommendation of an overall regulatory structure is similar to the suggestion in the report by the Brady Commission, the Presidential taskforce on the crash, of one overseeing body which it said should be the US Federal Reserve.

The crash, according to the report, had not been caused by any single factor but had been due to a "confluence of macroeconomic, political, psychological and trading factors".

Probe into bank run

Venezuela said yesterday it was investigating a campaign to destabilise its banking system following a run on Banco Consolidado, a large commercial bank, **writes Joe Mann in Caracas.**

The government advanced $20m to cover the effects of the run and announced that the bank had no serious problems.

THE PRESIDENT'S STATE OF THE UNION ADDRESS

No disguising shopworn Reagan

BY STEWART FLEMING, US EDITOR IN WASHINGTON

"SURPRISED you, didn't I," said President Reagan as he blew a kiss in the direction of his wife. Nancy was sitting up in the balcony of the chamber of the House of Representatives, listening as her husband for the last time reported to the Congress on the State of the Union on Monday night.

The President had just departed from the prepared text of his nationally televised speech to pay tribute to his wife's role as an anti-drug propagandist. It was evident from his smile that he had enjoyed giving this public recognition even more than his wife had enjoyed receiving it.

The incident showed Mr Reagan, wearing his 77 years lightly, once again displaying his mastery not only of the spoken word, but of the visual presentation.

Ronald Reagan looked as spritely as ever and certainly not an ageing president who has survived an assassin's bullet, a cancer operation and, in 1987, a year-long political crisis. But there was no disguising the fact that his ideas are looking shopworn.

Turn back for a moment to his first State of the Union address in 1982 and the "New beginning" he offered Americans then. "We have an economic programme in place completely different from the artificial quick fixes of the past," Mr Reagan said, referring to the 1981 tax cuts and the Fed's anti-inflation policies.

President Reagan during his address holds one of the bills he said Congress was late in sending to his office.

The budget deficit, he conceded, would be only just under $100bn "but still too high". But he added: "higher taxes will not mean lower deficits. I will not try to balance the budget on the backs of the American taxpayers." The answer was economic growth, cutting spending by attacking "corruption" in government health spending for the old and needy, government waste, fraud and abuse, including fraudulent exploitation of the food stamp programmes for the poor.

"There you go again," Mr Reagan's critics must have been thinking on Monday night as they watched him inveighing against Congressional spending, threatening to veto the 1988 budget, touting for the balanced budget amendment to the Constitution and the line item veto, and ignoring the issue of taxes as a way out of the budget trap that America has fallen into.

Once again, too, he sought to rally the Republican right with calls for anti-abortion laws, welfare reform to link payments to work, and a determination to resist Congressional proposals to extend civil rights legislation.

These proposals have no broad-based support and the President has asked for many of them in the past without success. They are merely the props an old actor is using to convey the impression that he still has an active domestic policy agenda, symbols he can manipulate to try to defend his legacy and rally the Republican Party in an election year.

His chances of seeing a Democratic controlled Congress enacting any of his proposals in a form he favours are slim to put it mildly; not least because opinion polls are again testifying to his waning political influence. A New York Times /CBS poll yesterday found that even a majority of Republicans wanted a new leader to replace Mr Reagan.

The burst of popularity he enjoyed in December when he met Mr Mikhail Gorbachev, the Soviet leader in Washington, has faded. His job approval ratings jumped to almost 60 per cent then. Now they are back down around 50 per cent. A Wall Street Journal/NBC News poll yesterday found only 34 per cent of Americans approving his handling of the economy and a Washington Post/ABC News poll found 59 per cent believing the country was now "pretty seriously on the wrong track."

Judging from the ephemeral reaction to Mr Gorbachev's visit it is doubtful whether Mr Reagan's hopes of securing another arms control agreement in Moscow will prove to be the elixir the White House is looking for, especially as such an accord on long range nuclear missiles would divide the Republican Party even more deeply than the intermediate range nuclear forces treaty.

THE MAIN POINTS

CENTRAL AMERICA: The President urged Congress to approve new aid to Nicaragua's Contra rebels when it votes on February 3. Yesterday, the Administration requested $36.25m in aid, of which $3.6m would be military.

ARMS CONTROL: He urged the Senate to approve the Intermediate Nuclear Force Treaty signed in December. The Senate Foreign Relations Committee is currently holding hearings on the treaty. Washington and Moscow were "within reach" of an even more significant agreement that would reduce US and Soviet long-range strategic missiles by half, he said.

SDI: The President said his anti-missile Strategic Defence Initiative, or "Star Wars," would reduce the risk of war, and urged Congressional support.

BUDGET: As in previous messages, the President asked Congress to alter the Constitution to require a balanced federal budget and to give him the power to block individual items in lengthy spending bills. He also called for changes in the congressional budget process that would give the president an official role in that process.

TRADE: The President said he wanted to see the free flow of trade "from the tip of Tierra del Fuego to the Arctic Circle."

Drug link threat to Panama's strongman

BY LIONEL BARBER IN WASHINGTON

A FORMER senior adviser to the Panamanian strongman, General Manuel Antonio Noriega, has threatened to reveal details of the general's suspected links to drug and arms smuggling unless he steps down from power.

Mr Jose Blandon was the Panamanian Consul General in New York until he was fired by General Noriega several days ago for promoting a plan to move the military-backed government in Panama to democracy.

His threat to go public – made in an interview with the New York Times – comes amid persistent Reagan administration lobbying for Gen Noriega to quit.

Mr Blandon – who has his own political ambitions and holds a leading position in the government-allied Democratic Revolutionary Party – is to testify this week before a Federal Grand Jury in Miami investigating whether Gen Noriega has been involved in money laundering and providing safe haven to cocaine traffickers.

One of the obstacles to Gen Noriega stepping aside is his desire for guarantees that he and his associates avoid prosecution in the courts.

In the interview, Mr Blandon said: "I have a lot of information about Noriega, probably more information on his arms trafficking, drug trafficking and the internal problems of the Defence Forces than anyone else. If there is not any political solution, I will use it."

Joe Mann in Caracas adds: Colonel Roberto Diaz Herrera, the Panamanian rebel leader who obtained political asylum in Venezuela last December, told Caracas daily, El Nacional that Gen Noriega should learn how to "gauge his unpopularity" and "isolation" so that he could leave office.

He said he would like to aid the political development of his country, but added: "I am not in a hurry, I have no party." He said the US should apply "a more intelligent focus" to its relations with Latin America, and that it was coming to realise it was not always wise to support leaders who "respond to its hegemonic interests".

Political uncertainty clouds bank talks, writes David Gardner

Panama seeks relief on its debts

PANAMA BEGAN discussions in New York this week with its commercial creditors to try to win easier terms for its international bank debt on which it has fallen into arrears for the first time since the 1982 debt crisis began.

The talks have begun amid growing political uncertainty and a severe fiscal crisis in Panama, where the opposition, the private sector, and the US Administration are calling for the departure of General Manuel Antonio Noriega, military strongman of the government and head of the 15,000-strong National Guard, which has controlled the country de facto for 20 years.

Panama appears to have put aside plans to seek up to $200m in new money, and instead is presenting a range of options to reduce interest payments by around $100m on its foreign bank debt of just over $1.8bn. The public sector foreign debt is nearly $4bn.

Both the banks and Panama have been discreet about the country's slide into arrears in order not to add to the climate of uncertainty or affect confidence in its offshore banking centre, the largest in the Western hemisphere.

Panamanian finance officials are also being tight-lipped about the details of their proposals. But the options are likely to include lower spreads, debt-for-equity swaps and the possibility of some sort of bond issue along the lines being pursued by Mexico.

It is considered most unlikely in present circumstances that Panama could, as Mexico did, persuade the US Treasury to back an issue of bonds, to be exchanged for debt at a price lower than the face value of the borrowings. The US Administration has cut off all aid to Panama and makes little secret of the fact that it is trying to cut the country off from other sources of finance too, until Gen Noriega goes.

For their part, the bankers appear to have ruled out any chance of new money. The last time Panama borrowed from the banks was in 1985, when it obtained $60m in new credit – and a refinancing of $580m due in 1985-86, with maturities extended to nine years with three years grace.

"We may find ways to help them reduce their interest burden but I don't think there is a mood in the market to provide a new money facility," said one bank executive on Panama's bank advisory committee.

Many bankers link any possible concessions to Panama to its ability to come up to date on its arrears. On December 29, Panama missed a $4.5m interest payment on $180m lent by a Lloyds Bank-led syndicate. This brings total arrears on all public foreign debt to $62m, according to Mr Ricaurte Vasquez, the Planning Minister and chief debt strategist.

Panama has continued to pay most interest on its commercial debt through a roll-over agreement reached last August, which expires in mid-March. But it is in arrears on its borrowings from the Paris Club, the International Monetary Fund, the World Bank, and the Inter-American Development Bank.

Its SDR90m ($68.5m) stand-by agreement with the IMF expired last March and has not been renewed. A second, $100m structural adjustment loan, signed in December 1986 with the World Bank remains only half disbursed because of Panama's failure to implement the agreed reforms.

The Government has sought a renegotiation of its Paris Club obligations. This will probably require prior agreement with the IMF, while a new programme with the Fund has been made conditional on implementation of the structural adjustments agreed with the World Bank.

These adjustments include retrenchment of the social security system and trimming of the public sector, measures which the military leadership is understood to fear will increase its unpopularity.

Panama's situation is further complicated by a severe budget crisis and the drying up of domestic liquidity through capital flight. There is currently no budget, since Congress last month threw out Mr Vasquez's planned $450m cuts (a 12 per cent reduction).

Officials confirm that the Treasury's total cash resources – including the already drained treasuries of the public sector companies – have been whittled down to $70m-$80m. From June to November, at the height of the political crisis last year, more than $500m left Panamanian banks, representing half their liquidity.

The latter is a separate issue from the decline in offshore assets held by the international banking centre – from $32bn in 1986 to $23bn at the end of last year – and has a much more immediate effect on the economy and on Panama's ability to finance itself and its deficits.

Panama is a US dollar economy without either a central bank to print money of its own or a currency it can devalue. This leaves the budget as Panama's only macroeconomic tool, which has to be near balance if a deficit cannot be financed.

When the Latin American debt crisis broke in 1982, Panama had an externally financed budget deficit of 10.7 per cent of gross domestic product. It brought this down to 1.2 per cent in 1986 and an estimated 1.5 per cent last year.

Even so, it is facing this year with projected revenue of $2.1bn, against current expenditure of just under $2bn. This excludes all capital expenditure, as well as debt service – calculated at $555m, assuming that approximately $400m which is also due can be restructured.

In addition, one of the tactics the opposition is using against Gen Noriega is "fiscal disobedience," which is beginning to bite.

The Government, therefore, is facing little option but to cut public sector jobs, perhaps by as much as 20,000 from a payroll of 150,000, equivalent to just under a quarter of the workforce.

Up to now, the Government has rejected this course as too risky politically, and throughout the 1980s, even while the public sector payroll grew by around 10 per cent a year. This bureaucratic payroll remains the only substantial reservoir of support for the military-dominated regime and there is a clear risk, recognised by officials, that it could quickly dry up, further isolating Gen Noriega.

Panama has missed a deadline for repaying part of a private bond placement, the Bank of Tokyo, the paying agent, said yesterday, AP-DJ reports from Tokyo.

This was the first time Panama had been late making a half yearly payment on the 7.6 per cent Y12bn 15-year issue sold in 1979, the bank said, although last September, Panama was a few days late making payments on a loan and a floating rate note outstanding.

The bank said its Panama office feared no payment would be made. Panama's embassy in Tokyo said it was aware of the problem.

Brazil warned by US on arms sales to Gadaffi

BY OUR CORRESPONDENT IN SAO PAULO

THE VISIT of a Libyan military delegation to Brazil has led to the worsening of Brasilia's already tense trade relations with Washington.

The delegation is in Brazil to begin negotiations over an arms package that could be worth *more than $2bn. It is also said* to be interested in buying Brazilian technology to build ballistic missiles in Libya.

Yesterday the US Embassy in Brasilia issued an angry note denouncing possible arms sales to Libya. It said: "We encourage all civilised nations to deny Gadaffi the means to carry out his objectionable policies. We believe it inappropriate to sell arms to the Libyan regime. In addition to supporting terrorism it is currently engaged in military aggression against Chad."

The Brazilian Foreign Ministry, the Libyan Embassy and the companies visited by the Libyan delegation refused to comment on the US statement.

The US Embassy would not say what action if any it might take to prevent a weapons sale, although in 1983 American pressure convinced the Brazil*ians to suspend arms sales to* Libya.

The US note was unfortunate for Brazilian trade negotiators, who are anxious to improve relations with the US, which is angry about protection given to Brazilian computer manufacturers. Less than a week ago, Brasilia relaxed slightly its protectionist policy, in the hope of warding off threatened US trade retaliation.

The Libyan delegation is negotiating a package to modernise the Libyan army's arsenal and replace equipment lost during last year's conflict in Chad, a Brazilian arms expert said. Part of the purchase would be paid in oil.

The weapons on the shopping list are said to include armoured cars, a heavy battle tank and short-range ground-to-ground and ground-to-air missiles.

The Libyans are also believed to have offered $2bn over five years to Orbita Sistemas Espaciais, a company partly owned by the Brazilian Government, to finance development of a new generation of medium-range ballistic missiles.

The Libyans would also manufacture the missiles themselves at a factory recently built in Libya by Otrag, a Zaire-based *rocket manufacturer* which is owned by West German citizens.

Nissan sets up sales subsidiary in Italy

BY JOHN GRIFFITHS

NISSAN has set up a wholly-*owned sales and distribution* subsidiary in Italy, partly in preparation for the launch on the Continent this autumn of Bluebird saloons produced at its UK plant.

Cars sourced from Nissan's Washington, UK plant are being classified as European-built from this year and thus no longer subject to Italy's severe restrictions on Japanese car imports. In the past, these have kept total Japanese sales in Italy down to 2,000-3,000 cars.

However, Nissan already has a larger presence in Italy than most other Japanese manufacturers because of the several thousand Patrol four-wheel-drive *vehicles* and *Vanette* panel vans it sells, also quota-free, sourced from Nissan *Motor* Iberica, its 80 per cent-owned Spanish subsidiary.

The new company, Nissan Italia, will be capitalised at L4bn ($3.27m). Nissan Motor Iberica will have a 51 per cent stake and Nissan Motor Company itself 49 per cent.

A sales target of 6,000 Patrols and Vanettes has been set for Nissan Italia's first year of operations. However, Nissan has yet to state a target for car sales. It expects to produce about 50,000 cars in the UK this year, some 10,000 of which are expected to be exported to the Continent, starting this autumn.

Nissan Italia's headquarters *is to be in* Rome, with a second office in Milan.

GPA to buy 22 Boeing 737 jets

By Kieran Cooke in Dublin

Guinness Peat Aviation, the international aircraft leasing company based at Shannon in the Irish Republic, is to buy a further 22 Boeing 737 jet aircraft estimated to be worth a total of more than $500m.

Over the past three years GPA has purchased more than $3bn worth of Boeing 737's. Dr Tony Ryan, GPA's founder and chief executive, said the Boeing purchase reflected continuing strong demand in the airline industry for the 150-seat 737.

GPA, whose corporate shareholders include a number of major financial institutions and international airlines, has quickly joined the big league of aircraft leasing companies since *being founded 12 years ago.*

In the year to last March the company made profits of $68m. Profits this year are expected to be more than $90m.

• Fokker, the financially troubled *Dutch* aerospace group, has received an order for two 50-seat Fokker 50 propjets from Kenya Airways, Laura Raun reports from Amsterdam.

The purchase price was not disclosed but the new short-haul aircraft is believed to sell for about $13m. Fokker has said it will report a loss for 1987 due to production delays in its new 100-seat Fokker 100 twinjet and because of the low dollar.

Aluminium smelter for Venezuela

ALCOA, the US aluminium company, and other investors plan to build a new aluminium smelter in Venezuela with production capacity of 120,000 metric tonnes per year, Joe Mann reports from Caracas.

The plant will cost about $375m and is expected to come on stream in 1990.

Alcoa will hold 40 per cent of the stock, Sural, a privately-owned Venezuelan aluminium producer, 40 per cent, and CVG, a Venezuelan government agency, 20 per cent.

Peter Montagnon on why a credit agency does not behave like a commercial bank

ECGD hedges more against lost claims

NOTIONALLY, at least, equal treatment of all creditors has always been one of the hallowed tenets of rescheduling developing country debt.

The controversy surrounding yesterday's announcement by ECGD, the British government-owned official export credit insurance agency, that it was *making a large provision* against potential losses on its developing country exposure, underlines a different view. By bringing into sharp focus the difference between banks and export credit agencies, it shows that, *in the last analysis*, creditors themselves do not necessarily regard themselves as equal at all.

The provision, amounting to £539.5m, took ECGD's total general provisions to £1.12bn. *It has been criticised by the* National Audit Office (NAO), partly on the grounds that it does not follow the matrix set last year by the Bank of England as a formula for calculating provisions to be created by commercial banks. Had ECGD followed this admittedly imprecise formula, its total provision would have worked out much higher.

There is no doubt that ECGD's top management is disconcerted by the NAO's decision to qualify ECGD's accounts accordingly. Yet it is equally quick to counter the suggestion that it should behave just like a commercial bank. "We've argued that the Bank of England matrix is intended for banks, and we're not a bank," said *Mr Malcolm Stephens*, Chief Executive.

In fact there are a number of important distinctions between official export credit agencies such as the ECGD and commercial banks. ECGD does not go in *for balance of payments* finance and all its exposure is trade related, which most bankers agree is the safest form of lending. It has no depositors or private shareholders to consider.

Because it is owned by the government, its solvency or ability to pay its bills is not in question. It can operate on much longer time horizons than commercial banks, and, in negotiating with creditors, it combines with other governments through the Paris Club, which gives it more clout.

If all these factors explain why ECGD has not felt impelled to create as large a provision as the banks, there is still, however, something of an academic flavour to the controversy cre*ated by the NAO qualification.* The provision was taken out of its balance sheet rather than its latest declared trading result, which was itself a further reason for NAO criticism.

Because most of it relates to *claims already* paid out, it has had no immediate impact on the level of borrowing from the government's consolidated fund. It has reduced ECGD's net assets to £201m from £563m, but such is the financial struc*ture of ECGD* that this will not affect its ability to expand by underwriting new business.

In some ways therefore it provides a much-needed distraction from the generally disappointing results just announced for the year ended March 31 1987. The trading result slipped to £177.5m from £238.6m, though it was still higher than the £83.3m registered in 1984-85.

More importantly, its market share fell to 19.6 per cent of UK non-oil exports from 23.3 per cent. Short-term business insured fell by roughly £1bn to £10.8bn and medium-term buyer credits by some £500m to £1.95bn.

ECGD stressed yesterday that it expects business volume to recover, particularly now that it has become more aggressive in marketing its short-term operations and faster in turning round insurance applications from exporters. New business is also profitable. Yet claims, most *of* which arise from old business caught up in the debt problem, continue to run at a high level, rising last year to £803m from £777m.

The sharp increase in its general loss provision is simply a measure of its *increasing* fear that some of these claims will not eventually be recovered. This is coupled with a desire to express this fear as realistically as possible in its accounts.

Despite the careful distinction drawn by the ECGD between its business and that of banks, one of the reasons it gives for increasing its provisions was the sharply higher provisions taken by banks over the past year. Mr Fred Chapman, who is in charge of its finances, says these "increased in our perception the risk of default, particularly in relation to interest."

With little objective information to go on, the problem still lay in assessing quite how large the provision should be. ECGD is clearly worried by the thought that too high a figure would give a signal to debtors that it was preparing to write off its claims. It has been careful not to illustrate its methodology by providing figures for particular countries.

One possible interpretation of its decision to take a lower provision than those of the banks is that banking provisions are now too high. But another is a conclusion that at the end of the day export credit agencies face a better chance of recovering their funds than other lenders. As commercial banks withdraw from the lending process, debtors may increasingly turn to the official agencies for new funds. They are thus likely to be more disciplined in servicing export credit debt.

The debt problem is a long way from resolution, however. And it may be decades before anyone can tell for sure, which of these two arguments is correct.

ECGD Business in Perspective

Financial year	Total Business insured	Percentage of UK non-oil exports insured	Premium income	Claims paid	Recoveries	Reserves
1982/3	19,090	33.9	344.2	584.1	103.6	862.5
1983/4	17,706	29.6	166.9	674.3	132.7	610.3
1984/5	17,122	25.3	168.3	848.9	327.3	400.3
1985/6	15,914	23.3	174.5	777.1	270.9	563.3
1986/7	13,880	19.6	157.2	803.4	349.5	201.3

Figures in £m

Source: ECGD

TV makers take on Japanese

BY PAUL BETTS IN PARIS

EUROPE'S leading television equipment manufacturers are intensifying efforts to frustrate Japanese ambitions to dominate the market for high definition television.

After joining forces in a European Eureka project to establish a common European production standard for high definition television transmis*sion*, the European partners will present their project before the US Federal Communications Commission (FCC) in Washington today. They include Thomson of France, Thorn-EMI, Philips and Bosch.

Their aim is to reinforce an increasing number of American broadcasters and television equipment manufacturers opposed to the adoption by the US of a high definition television production standard based on Japanese technology.

The change of attitude follows the decision of the European Community to develop its own European standard rather than accept a compromise world standard based on Japanese technology.

Japanese companies had built up support in the US for adoption of their proposed world high-definition television standard, largely as a result of the co-operation in this field between CBS and Sony.

Mr Jean Caillot, president of Thomson International, said the change of heart in the US towards the Japanese standard could lead to a situation in which there would be three separate standards in the US, Europe and Japan. This would undermine the threat of Japanese dominance in this key market.

But the Japanese are clearly not finished yet. Indeed, a recent vote by the American Television Systems Committee, representing US manufacturers and broadcasters, still approved by 26 to 11 the proposed Japanese-based world production standard.

But Mr Caillot said it was encouraging to find broadcasting groups like ABC, NBC and the National Association of Broadcasters and manufacturers like Zenith, North American Philips and RCA voting against the Japanese standard.

For Thomson, the stakes are high following the French state-controlled group's expansion in the television market with the acquisition last year of Thorn-EMI's consumer electronic's business and then of the RCA consumer electronics business from General Electric of the US.

Hong Kong's exports continue rapid growth

BY DAVID DODWELL IN HONG KONG

HONG KONG'S exports continued to rise in December at the breakneck pace that has characterised the whole of 1987, confounding expectations that sales would slow following the worldwide stock market crash.

Total exports, which include domestic exports and re-exports jumped to HK$37.9bn in December, a 41.3 per cent rise on the year.

Imports continued to soar, reaching HK$38.9bn, a 41.3 per cent increase on December 1987 and giving a visible trade deficit in December of HK$916m.

Analysts suggest that strongest growth is in exports to Europe and Japan, where the steady devaluation of the local currency has enhanced Hong Kong's competitive edge against Taiwan and South Korea.

Domestic exports for the full year amounted to HK$195bn, up by 26.8 per cent from HK$154bn in 1986.

Re-exports for the year were HK$185bn, up 49 per cent on 1986, taking total exports to HK$378bn - up by almost 37 per cent from HK$276.5bn in 1986.

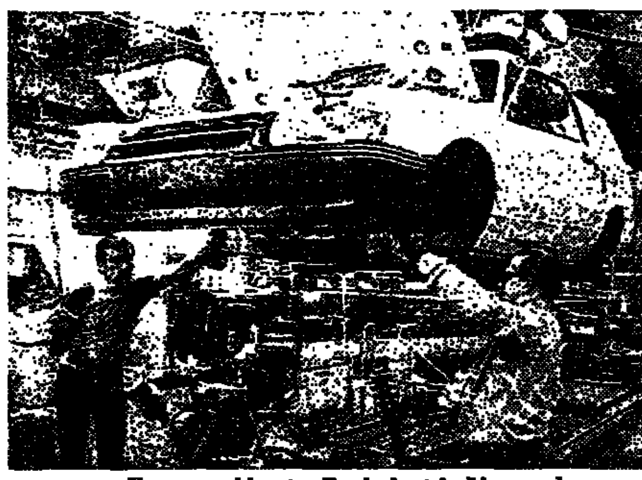
Imports for the year amounted to HK$377.9bn, up 37 per cent from HK$276bn in 1986, leaving the territory with a visible trade surplus of HK$685m on total trade of HK$755bn. The visible surplus last year was HK$575m.

Hong Kong officials will no doubt be keen to point to this balance in response to US complaints over Hong Kong's bilateral trade surplus, which may pass HK$70bn in 1987.

UK NEWS

Ford given deadline for national pay strike

BY CHARLES LEADBEATER



Van assembly at a Ford plant in Liverpool

FORD MOTOR Company's 32,500 manual workers in Britain will start a national strike from Monday, unless the company improves its three-year wage offer, which is tied to far-reaching changes to working practices. Negotiations resume tomorrow.

It would be the first national strike the company has faced since a nine-week overtime ban in 1978.

The decision to set the deadline for action follows secret ballots last week, in which manual workers voted for strike action by 24,981 votes (88 per cent) to 3,339 (12 per cent). The majority is one of the largest since secret pre-strike ballots were introduced in 1984.

Mr Mick Murphy, the Transport and General Workers' Union national automotive officer, and the unions' lead negotiator, speaking after a meeting of union officials which set the deadline for action, said a national strike would be tragedy the unions wanted to avoid. But he gave a warning that it was inevitable if the company did not negotiate realistically.

Union officials predicted that many plants would walk out on Friday should the talks breakdown.

Union officials expect the company will improve its offer of an increase of 6.5 per cent in 1987-88, with rises in the two subsequent years tied to the rate of inflation, even though the company described this as its final offer at talks on December 7.

Its initial offer outlined in October was based on a rise in the first year of 4.25 per cent.

Union officials said workers had also been angered by the company's proposals for far-reaching changes to working practices including the introduction of team working, flexibility between skilled and unskilled workers, temporary workers to meet peaks in demand and quality discussion groups akin to quality circles.

Union negotiators believe the company may drop some of its most contentious proposals, such as the introduction of temporary workers, and attempt to drive a wedge between skilled and semi-skilled workers, by making an improved offer to skilled workers to dampen their hostility to its proposed changes to working practices.

Officials said most workers were opposed to a agreement spanning three years. It is thought likely that the unions would continue to negotiate on the basis of a two-year offer.

While the strike vote will strengthen the unions' hand in negotiation, the vote may also constrain union negotiators' ability to compromise in the talks.

Pay negotiations at Vauxhall Motors were plunged into confusion yesterday after manual workers at the company's Luton car plant overwhelmingly rejected the company's two-year pay offer, despite union negotiators' recommendation to accept.

Electricians at Luton and the company's Ellesmere Port plant, in north-west England, have rejected the offer, and skilled maintenance workers have rejected its proposal to introduce a triple shift pattern. But manual workers at Ellesmere Port have accepted the agreement.

DOUBTS OVER ADEQUACY OF PROVISIONS FOR THIRD WORLD LOSSES

Auditors qualify export credit results

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN'S National Audit Office, which is responsible for auditing the accounts of government departments, has qualified the latest results of the Export Credits Guarantee Department on the grounds that its provision for losses against developing country exposure may be inadequate.

ECGD said yesterday that results for the year to March 31, 1987 showed a sharp £589.5m increase to £1.12bn in its general provision for losses, but Mr Malcolm Stephens, its chief executive, said the audit office was uncertain about the adequacy of the provision and disagreed with the accounting treatment of it.

Mr Stephens told a press conference that he could give no further details before the ECGD's results were formally published next week.

However, the NAO is concerned that the provision is lower than that which ECGD would have posted had it followed guidelines for banks established last year by the Bank of England.

It has also criticised the ECGD for not incorporating the provision into its trading result which shows a surplus of £177.5m compared with £238.6m in the previous year.

The dispute over ECGD's accounts throws into sharp relief both its large £6.8bn exposure to developing countries in debt difficulty and the difficulty of assessing the ultimate risk of loss to the taxpayer in the event of some of its claims proving irrecoverable.

Mr Stephens said that taking its general provision together with existing specific provisions for loss meant that its total provisions were equivalent to 21.7 per cent of claims paid and expected to be paid. Had the Bank of England guidelines been followed the provisions would be between £300m and £800m higher.

However, he added: "There is no reason to think that we should provide on exactly the same basis as the banks."

With the exception of Canada's Export Development Corporation, other leading official export credit agencies did not make loss provisions, he said. "We do expect overseas debtors to pay in full."

In general, he said, ECGD's latest accounts were "quite sobering."

The share of non-oil exports guaranteed by the Department in its latest year fell to 19.6 per cent from 23.3 per cent previously. Claims paid rose to £803.4m from £777.1m and "will not be significantly lower" in the current year.

Overdraft borrowing from the Government increased to £1bn from £652m, and net assets fell to £201m from £563m after the increased provision.

However, business volume is expected to recover in the current year, he said.

Analysis, Page 6

Industry confident, but growth may slow

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

EMPLOYERS yesterday delivered a confident assessment of the outlook for manufacturing industry, but said that the recent turmoil on financial markets would contribute to a slowdown in growth.

The Confederation of British Industry combined the assessment with an attack on the Government's plans for a steep increase in electricity prices and with a plea for lower taxes on industry to enable it to bridge a "massive investment gap" with its overseas competitors.

In its latest Quarterly Trend survey the employers' organisation said that prospects for output, orders and investment remained generally favourable, despite signs of a sharp weakening in industry's export performance.

Britain's manufacturing output would "continue to grow strongly but at a more moderate and sustainable rate after the particularly rapid growth over the past year", the CBI said. At the same time the buoyancy of orders reported by capital goods industries pointed to a broadening of demand in the economy from consumption towards investment.

Responses to the survey indicate that business confidence has been dented by events on financial markets since October's share-price slump. In particular, the sharp rise in the dollar's value has severely dampened optimism among exporters.

There is little evidence, however, to indicate that, in the immediate future at least, the economy faces an abrupt slowdown. The survey shows that order books are strong and that industry is still working at close to capacity.

In the City of London the results were seen as confirming the view that industry had escaped relatively unscathed from the world stock markets' crash. The downturn in export orders, however, pointed to a further deterioration in Britain's trade position, while evidence of a hardening in cost and price pressures was also a matter for concern.

Fears that tomorrow's trade figures may show a a widening of the current account gap have generated some pressure on sterling over the past two days.

That, and the upward pressure on costs and prices, suggest that on present trends Mr Nigel Lawson, the Chancellor of the Exchequer, will adopt a fairly cautious tax-cutting stance in his March budget, despite the current buoyancy of government revenues.

Mr John Banham, the CBI director general, said that yesterday's survey should, however, calm the fears of "overheating" which had troubled financial markets for much of last year. That, he hoped, would pave the way for further falls in interest rates to levels more in line with those of Britain's competitors.

Details, Page 13

Kinnock taunted by Thatcher over health figures

By Tom Lynch

MRS MARGARET THATCHER, the Prime Minister, yesterday challenged Mr Neil Kinnock, the Leader of the Opposition, to deny any of the statistics being used by the Government to defend its record on the management of the National Health Service.

The issue was again dominated by noisy scenes in the House of Commons with Conservatives welcoming Mrs Thatcher's decision to supervise the current review of the health service. Labour, however, accused her of cowardice in refusing to meet a delegation from the nurses' unions.

Mrs Thatcher said the unions would "shortly" meet Mr John Moore, the Social Services Secretary. When Labour MPs shouted that she should meet them, Mrs Thatcher, who seemed in a more relaxed mood than in previous sessions, told them: "I am delighted people always want to see me.

"If ever I say I will do it, I am accused of dictatorship and all sorts of things. We have a lot of most excellent ministers on the Government side."

Mr Kinnock said people wanted to see her because she was "the architect of the crisis". He challenged Mrs Thatcher: "Why won't you see those people? Why do you treat the nurses with such contempt?

"Who can believe your so-called review of the NHS can have any integrity when you slam the door in the face of the people best placed to know the problems of health care and funding because they have to deal with those problems every day of their working lives?"

When Mrs Thatcher told him that her Government had given nurses real pay increases and a shorter working week, while the last Labour Government had cut their pay in real terms, Mr Kinnock said: "If you have got such faith in your figures, why not have the nurses in to 10 Downing Street and offer that recitation to them face to face and see what response you get.

"Perhaps it is because you know what response you will get, that you are frightened to meet them."

Mrs Thatcher snapped back: "Which of our figures are you challenging? None of them. You don't believe any figures given on this side of the House. Why do you ask any questions?"

Tory MPs noisily invited Mr Kinnock to return to the dispatch box and respond, but he remained seated.

Mr Martin Flannery (Labour) told Mrs Thatcher: "Reading out cold-blooded statistics will not solve the problems of the NHS." While Mrs Thatcher was insisting on private care for herself she was depriving thousands of others of similar choice.

Mrs Thatcher said that information was now available to allow the NHS management board to assess whether local health authorities were making the best use of the money at their disposal.

Options dealer resigns after admitting £3m loss

BY CLIVE WOLMAN IN LONDON

SMITH NEW COURT, the UK's largest independent securities firm, yesterday announced that that another of its traded options dealers had resigned after confessing to the concealment of a trading loss of £3.05m, which originated from the October stock market crash.

Only last Thursday, Smith New Court announced that one of its most senior traded options dealers, Mr Mark Lee, resigned after he too admitted concealing a loss of £1.25m from dealing in traded options on blue chip UK equities.

The resignation announced yesterday was of a more junior dealer, aged about 25, who had been with Smith New Court, one of the three largest equity market-makers, for three years. He dealt in traded options based on the level of the FT-SE 100 UK stock market index. He first started to conceal his position after suffering a large loss during the stock market crash of October 19 and 20 through buying call options on the FT-SE index, in expectation of a market rise.

In contrast to most large securities firms, Smith New Court has never imposed strict limits on the positions taken by its traders and for that reason, their positions and risk exposure are not monitored by computer. Instead the dealers enter their positions manually in one of two books, one for active trading positions and one for longer-term arbitrage positions.

This particular dealer transferred some of the larger loss-making deals to the long-term book at falsified prices, in the hope that ultimately he would recover the money. Normally the prices in the book have to be reconciled with the prices paid by the back office when it settles the bargains with other firms. But, according to Mr Michael Heath, managing director in charge of operations, the dealer was able to by-pass the back office controls by asking a junior clerk to make adjustments on the grounds that there had been an error.

Mr Heath said the discovery of the losses was made possible by the installation of a new computerised system last week.

FT LAW REPORTS

Costs against settling insurance broker are deductible from credit to co-defendant

BANQUE KEYSER ULLMAN SA v SKANDIA (UK) INSURANCE CO LTD
Queen's Bench Division (Commercial Court):
Mr Justice Steyn:
January 20 1988

A PLAINTIFF who receives payment from one of two defendants in settlement of his claim cannot recover more than his actual loss and must credit any excess to the sums due from the other defendant. But first the payment must be allocated to any separate claim the plaintiff may have against the settling defendant, without pro-rata allocation as between damages, interest and costs, so that in the absence of agreement to the contrary costs in the separate action must be *deducted before credit is* given.

Mr Justice Steyn so held when giving reasons for his decision made in December 1987 as to what credit was to be given by insured banks, Banque Keyser Ullman SA, Chemical Bank and others, for money paid to them by Lloyd's brokers, Ernest Notcutt & Co Ltd, under a settlement agreed in an action in which the banks claimed against insurance companies, Skandia (UK) Insurance Co Ltd, and Westgate Insurance under policies arranged by Notcutt (see *[1986] 2 FTLR 601*).

HIS LORDSHIP said that in the action the banks had succeeded on liability. Issues as to quantum and interest were resolved by agreement between the banks and one insurer. As between the banks and the other insurer, Skandia, one substantive issue was outstanding, namely what credit must the banks give for £10.5m paid by Notcutt under the settlement.

The settlement expressly provided *that the banks'* rights were acquired in full and final settlement of their claims in the action "including the claims for costs".

As between Chemical Bank and Skandia the total sum received by the bank was £3,056,250.

Chemical rightly conceded that a plaintiff who had a claim against two defendants could not recover more than his total loss, and must therefore give credit for any sum received from one defendant towards satisfaction of the claim.

It therefore conceded that it should give credit for the sum received under the Notcutt settlement. But, it submitted, if it could establish additional separate claims against Notcutt, the payment must be allocated first to such additional separate claims and credit must be given only for the excess necessarily referable to the overlapping claim.

Chemical would have recovered damages of at least £3,056,250 against Notcutt if the matter had not been settled. But Chemical submitted that the credit must be reduced by additional claims which it had against Notcutt, including one for £482,155 agreed costs of its action against Notcutt, and one for £416,000 unrecovered costs of the action against Skandia.

The first issue as between Chemical and Skandia was whether the costs of the action against Notcutt ought to be deducted from the credit to be given.

Notcutt was liable to Chemical on the ground of vicarious responsibility for the fraud of an employee. It would have been liable in full for the agreed costs had the matter proceeded to trial against it.

The principle appeared to be that if a plaintiff who received payment from one of two tortfeasors established an additional separate claim against him, the payment was allocated first to that claim, and credit must be given in favour of the second tortfeasor only *for the excess necessarily* referable to the overlapping claim (see *CMV Townsend (1984) 27 BLR 26* and *The Morgengry (1900) P 1*).

But Skandia resisted such a conclusion. It submitted first that on a proper construction of the settlement, the whole amount received must be attributed to damages and interest only.

The terms of the settlement expressly provided that recovery against Notcutt would be in full and final settlement of the banks' claims "including claims for costs".

Those words could not be treated as a sham. It would be wrong to read the contract as though they were not there. There was nothing in its terms to displace the general principle.

Alternatively, Skandia submitted that there should be a pro-rating of sums received under the settlement as between damages, interest and costs.

In *The Morgengry* Lord Justice Vaughan Williams said *that it might* be *that if* there were two separate judgments for the same tort and the measure of assessment was the same, a plaintiff could not proceed to execution against one defendant without giving credit for any amounts he had received from the others. But, he said, "in such a case each defendant is liable for the whole of the damages, and it seems to me that cannot apply where the respective defendants are not liable on the same damages, the one being liable for the whole and the other for half."

That decision supported the general principle and authoritatively made it clear that there was no general equitable principle of pro-rating in such cases.

The credit to be given by a plaintiff in favour of one tortfeasor in respect of recovery from another tortfeasor was to be determined by applying the law to the facts. It could not be a matter for judicial discretion.

Chemical's submission was correct. In other words, the agreed costs of the action against Notcutt must be deducted from the recovery made under the settlement before credit was given.

The second issue was whether Chemical was right in submitting that its unrecovered costs of the action against Skandia should be deducted from the credit given by Chemical.

The question was whether Chemical would have recovered such costs against Notcutt if its action had not been settled.

In *Townsend v Stone Toms* the Court of Appeal held that once there was a *prima facie* case that the plaintiff had received money from a second tortfeasor which reduced his loss, it was for him to show that the payment related to some separate claim against the second tortfeasor.

That involved showing that the separate claim was sustainable on the facts and in law.

Chemical's *argument*, that it would have recovered against Notcutt costs which were disallowed as a matter of discretion against Skandia, ought not to succeed. It was not a reasonably forseeable head of loss, and its recovery in an action against Notcutt was not demanded by the dictates of common sense justice. It was too remote.

The same rulings were made in the case of the other banks.

For Chemical Bank: Nicholas Strauss QC (Slaughter & May)
For the other banks: John Griffiths QC, Mark Hapgood and Hodge Malek (Hopkins & Wood)
For the insurers: Richard Yorke QC, Crawford Lindsay QC and C A Cory-Wright (Herbert Smith)

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full text of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. Telephone 01-831 0391

APPOINTMENTS

APPOINTMENTS

George Wimpey board posts

GEORGE WIMPEY has made the following appointments to the group's executive board: Mr C.S. Gill, Mr D.J. Holland, Mr G.M. Slater, Mr D.M. Penton and Mr T.S. Ross. Mr Gill and Mr Holland are joint managing directors of Wimpey Homes. Mr Slater is managing director of the UK operations of Wimpey Construction. Mr Penton is group company secretary and Mr Ross deputy chairman of Wimpey Asphalt and Wimpey Waste Management.

★

WILLIAMS HOLDINGS has appointed **Mr Howard Dyer** a main board director. He was appointed president of Williams Holdings Inc in July.

★

Mr Anthony J. Sumner has been appointed to the main board of TI GROUP. He will have overall responsibility for a number of key central management functions including human resources, legal affairs, property and public relations. He joins from Kleinwort Benson, where he was the director responsible for investment in unquoted companies.

★

Mr Rodney England has been appointed operations director of H.J.HEINZ CO from February 1. He was manufacturing director with Mars in Germany.

★

MOORE STEPHENS has appointed **Mr Christopher Shaw** as a partner in the Guernsey office.

★

WINDSOR TRUST MANAGERS has appointed **Mr Richard Pease** as senior fund manager. He joins from the central board of finance for the Church of England.

★

Mr Barry Dean has been appointed managing director of KLEINWORT BENSON DEVELOPMENT CAPITAL. He succeeds **Mr Anthony J. Sumner** who has been appointed to the main board of TI GROUP. Mr Dean has been a director of KBDC for three years. His responsibilities include start-up finance, development capital, buy-outs, buy-ins and acquisition finance. At TI Mr Sumner's responsibilities include human resources, legal affairs, property, public relations, group planning, and TI's applied technology facilities at Hinxton Hall, Cambridgeshire.

★

THE CONDER GROUP has made the following managing director appointments: **Mr John Davies**, group production; **Mr Dick Lowery**, superstructures; **Mr Roy Paramor**, projects; and **Mr Graham Petty**, products.

★

At the MORGAN CRUCIBLE COMPANY **Dr Bruce R.S. Jones** becomes a director, and **Mr D.A.M. Dunbar** has resigned.

★

The chief executive of EASTBOURNE MUTUAL BUILDING SOCIETY, **Mr Colin Luck**, has been appointed to the board, succeeding **Mr George Ferguson** who has retired.

★

Mr Keith Glover has been appointed head of NATIONAL WESTMINSTER BANK's syndications unit. He succeeds **Mr Brian Chamberlain** who is retiring at the end of January. Mr Glover was director of money markets at County NatWest.

★

Mr Richard D.Green will join DAIWA INTERNATIONAL CAPITAL MANAGEMENT (UK) on February 1 as an executive director and a chief investment officer to head the global invetment management activities. He was a director at Hill Samuel Investment Management.

★

RUSH & TOMPKINS has appointed **Mr Peter Coleman** as managing director of its restructured southern region. He joined the company in 1985.

★

PANMURE GORDON BANKERS and PANMURE GORDON & CO. have appointed the following as directors of both companies subject to regulatory approval: **Mr C.F. Coyne, Mr D.R.J. Foster, Mr A. Learoyd, Mr W.A. Soames, Mr C.D. Stallard,** and **Mr C.J. Wilkinson.**

★

Mr Mike Djanogly has been appointed deputy managing director, and **Mr Stuart McBride** made a director of TULLETT & TOKYO (MONEY MARKETS) CO. **Mr Barry Lothian** has been appointed managing director of Tullett & Tokyo (Gilts).

★

Mr Robbie Robinson has become president of the WILLIAM BARRETT GROUP. **Mr Noel Robinson** has been appointed group chairman/chief executive, and his brother, **Mr Peter Robinson,** is made group managing director, as well as design and development director. Mr Peter is succeeded as managing director of Nu Trend Upholstery by **Mr Terry Lewis.**

Debt write-off for Rolls-Royce sale questioned

BY PHILIP COGGAN

A BATTLE behind the scenes over the privatisation of Rolls-Royce, the aerospace engine manufacturer, was revealed yesterday when the National Audit Office released a report which questions aspects of the company's flotation last May.

The Audit Office suggests that a capital injection by the Government before privatisation of £283m might have been unnecessarily high.

The report reveals that Sir Francis Tombs, Rolls-Royce's chairman, had said in discussions with the Government that he would not be prepared to take the company into the private sector if it was left with substantial debt.

In the light of his arguments, the report says that the Department of Trade and Industry "reluctantly agreed to provide a capital injection that would give a nil gearing" – that is, no borrowings.

Samuel Montagu, the DTI's merchant banking advisers, had originally proposed a capital injection of £140m, leaving Rolls-Royce with 25-30 per cent gearing. This figure was revised upwards to £220m in the autumn of 1986 (which would have left Rolls-Royce 11 per cent geared) but Sir Francis was not satisfied.

In the end, the capital injection of £283m was achieved by the issue of 166.5m extra shares at the offer price. The office's report says that there must be some doubts whether a capital injection of that size was needed, given that Samuel Montagu had taken account of Rolls-Royce's commitments before deciding that £220m would be adequate.

However, the National Audit Office notes the impossibility of determining what the proceeds of the offer might have been had a lower level of capital injection been provided.

There is also a question mark over the offer price chosen. The office says that the ideal premium in the aftermarket would be 10 per cent and therefore, in Rolls-Royce's case, the initial premium of 34 per cent may have been too high. But the report points out that measurement against that yardstick was effectively ruled out by the stock market crash. By November, the shares were at a 34 per cent discount to the offer price.

One positive aspect comes out of the report. The cost of the sale, at 2.1 per cent of the proceeds, was lower than that of any previous privatisation issue because there were no shareholder incentive schemes. After competition, commissions were set at 0.061 per cent compared with 0.111 per cent for British Airways and 0.175 per cent for British Gas.

'Strongest evidence' against Guinness

Financial Times Reporter

THE CASE for saying that Guinness took part in a concert party purchase of 10.6m Distillers' shares was one of the strongest that had ever been before the City Takeover Panel, the High Court was told yesterday.

Mr Roger Buckley, QC, for the panel, said that any one of half a dozen pieces of evidence would have pointed to a concert party in the closing stages of the takeover battle for Distillers in April 1986.

Guinness has asked the court to rule that the panel acted prematurely on inadequate evidence when it decided last September that Guinness had bought the shares in concert with either Pipetec, a Swiss company, or Bank Leu, a leading Swiss bank believed by the panel to be Pipetec's parent.

The 10.6m shares were bought at a price higher than Guinness's cash alternative offered to Distillers' shareholders.

One of Guinness's main complaints, said Mr Buckley, was that it had been taken by surprise by a Bank Leu statement to the panel shortly before last September's hearing.

However, last January, Bank Leu officials had written in similar terms to non-executive directors of Guinness.

The letter said: "During the closing stages of the Guinness bid, Guinness entered into letter agreements with subsidiaries of the bank whereby these subsidiaries agreed to purchase Guinness shares up to the value of £50m and confirm the purchase of Distillers shares to the value of £75,612,149.

"Guinness, for its part, agreed to repurchase these shares within 60 days. These letters set out the bank's fees and remuneration for effecting the purchase as well as Guinness's obligation to repurchase."

The letter said the 60-day period was extended at the request of Guinness.

Subsequently, on June 2, 1986, one of the bank's subsidiaries purchased a further 23.63m Guinness shares.

As part of the arrangement to extend the 60-day period, a Guinness subsidiary, G & C Moore, deposited £50m with Bank Leu (Luxembourg) as security for Guinness's obligations.

The letter said documents setting up those arrangements were signed by Mr Olivier Roux and Mr Tom Ward, former Guinness directors.

Mr Buckley said it was not the panel's view that there was "a rogue at Bank Leu."

He said there had been talk of Guinness having to pay about £100m to former Distillers shareholders because of the concert party purchase price.

Figures the panel had seen, based on the Guinness accountants' assessments, put the figure "in the 70s" at maximum and, at the lowest, around £30m, Mr Buckley said.

The hearing continues today.

Max Wilkinson reports on the demise of a key development in motoring marketing

Shell's premium petrol formula misfires

AT 3,000 petrol stations throughout Britain today, the bright red and yellow signs advertising Formula Shell were being peeled away from pumps at a total cost of £500,000.

The withdrawal of the Formula Shell additive from the company's premium leaded gasoline in Britain and the rest of the world is the unhappy end of a story that began in the early part of this decade in the company's research centers at Thornton, Cheshire, and later in six other Shell laboratories scattered across the world.

The fall of Formula Shell after less than two years on the market is also a serious setback to the group's technical and marketing effort to re-establish brand loyalty with a motoring public that had become far too fickle for the liking of all the oil companies.

Formula Shell, developed to improve fuel economy, the responsiveness and cleanliness of engines, is now to be withdrawn from leaded petrol in 33 countries where the Royal Dutch/Shell group operates. That follows research by Shell showing that the ill-starred additive can, in some circumstances, damage an engine's inlet valves.

It contains basically two ingredients: a detergent to clean the carburettor, injector and inlet system, and a spark-aiding chemical to promote smoother running and slightly better fuel economy.

The spark aider, which is probably the more important of the two, was developed at Thornton using special test engines with glass ports inserted so that the fireball following ignition could be monitored.

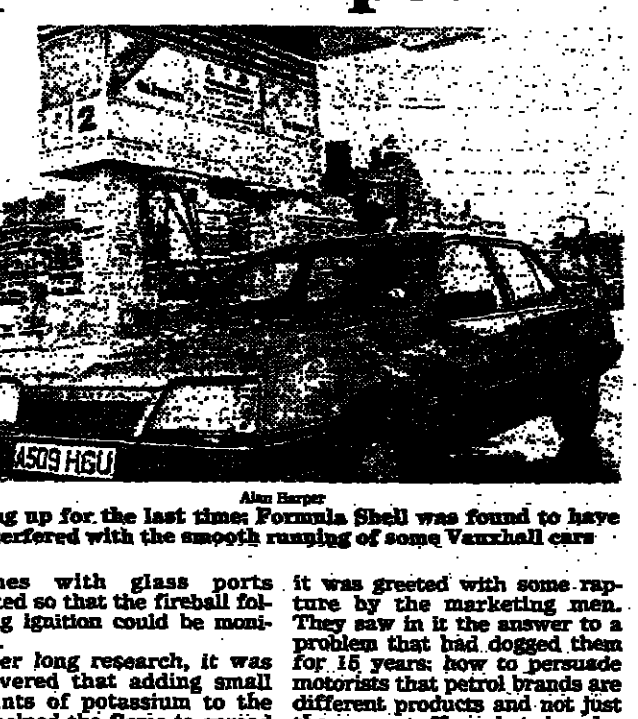
After long research, it was discovered that adding small amounts of potassium to the fuel helped the flame to spread more quickly from the sparking plug through the fuel and air mixture within the cylinder.

To their delight, Shell scientists discovered that this resulted in generally smoother running, more responsiveness and better idling characteristics as well as a small but useful gain in fuel economy of about of 2.4 per cent.

When the news of the discovery first spread through Shell, it was greeted with some rapture by the marketing men. They saw in it the answer to a problem that had dogged them for 15 years: how to persuade motorists that petrol brands are different products and not just the same stuff marketed under different signs.

After the Second World War when the government-controlled, standard blend "Pool" petrol was phased out, petrol companies in the UK experienced a surge of interest in different brands.

Suddenly in the 1950s, oil refiners were free to experiment with the precise mixture and fine tuning of the 300 or more hydrocarbon compounds found in petrol.



Alan Harper

Filling up for the last time: Formula Shell was found to have interfered with the smooth running of some Vauxhall cars

The new grades were of genuinely superior quality. However, by the late 1960s oil companies had all caught up with each other and differences in quality were perceived to be minimal.

Competition switched emphasis to price and throughout the 1970s petrol companies tried, with only moderate success, to win back the loyalty of customers through gifts, stamps and other gimmicks.

However, as lower prices reduced margins, petrol stations became tattier, standards of service deteriorated and motorists became much more interested in the latest discount on pump price than in the brand they were buying.

By the beginning of the 1980s, the three leading UK retailers realised nobody could win a big increase in market share by discounting prices because the competitors would do the same.

The effort, therefore, shifted to cost-cutting by reducing the spread of small sites and trying to concentrate pumps in large, accessible service stations that could be manned and supplied more economically. Filling stations were spruced up and a general effort was made to improve what the marketing men call "the petrol-buying experience."

However, the petrol companies still lacked one vital thing – a product that was demonstrably different from that of any other.

Formula Shell was the answer. The group, however, was characteristically cautious before launching it.

Exhaustive laboratory tests were followed by road trials using 420 new and used cars, driven over 6m kilometres and consuming altogether 600,000 litres of fuel. Ten months of consumer reaction trials followed.

Eventually, after £75m of research, development and promotion, the product was launched in May 1986. The launch cost in the UK alone was about £6m.

Mr John Bamberg, Shell's UK manager of retail sites, says that the reaction was highly favourable, with strong evidence from surveys that customers were developing a renewed loyalty to the brand.

Nobody yet knows how serious the setback will prove. Mr Bamberg says bravely that even without the Formula additive, tests show that Shell petrol is superior to that of competitors. Perhaps, but that will not be easy for the advertising agencies to put over.

Mr Bamberg says that the paramount consideration was to rescue Shell's good name from the doubts that surrounded its new product.

However, it would be wrong to say Formula Shell is finished. It survives in Japan, where all petrol is lead-free, and lives to fight another day in Europe when exhaust control legislation eventually bans all lead in petrol.

In unleaded petrol there is absolutely no risk of any engine damage, says Mr Bamberg. He'd better be sure.

British Steel plans worry independents

BY NICK GARNETT

MANY OF the 180 independent steel stockholders are increasingly anxious that British Steel may dominate their market on privatisation. Their fears emerged yesterday at an annual gathering of manager-members of the National Association of Steel Stockholders.

The Government restricts BS to no more than 15 per cent of UK steel stockholding and distribution.

However, BS on privatisation, due at the end of this year or the start of next, can raise its stockholding. Management has said it will do so substantially.

The industry believes BS controls about 20 per cent of UK distribution. Mr Richard Rawlins, Nass executive director, yesterday said many members would not relish BS raising its stake above 25 per cent.

He believed BS would probably settle at about 30 per cent to 35 per cent of the distribution market, giving it more influence on issues such as pricing.

Several Nass members believe BS will try to raise its share closer to 50 per cent. In many European countries, steelmakers control about 60 per cent of domestic steel stockholding. Mr Rawlins said continental steelmakers may soon buy into UK stockholding.

Nass members, which include BS's stockholding business, handle more than 4m tonnes of steel used in the UK. In 1986 they handled 47 per cent of domestic deliveries from UK mills, the rest distributed by the mills themselves.

Independents have big shares of some products but are much less important in others.

Power among independents is increasingly concentrated through acquisitions and mergers as companies like C. Walker, ASD and Brown & Tawse grow at the expense of others.

The biggest independent is Blackburn-based C. Walker, which acquired GKN's stockholding interests last year and controls about a quarter of UK distribution.

Smaller companies say C. Walker has a role establishing price levels.

Mr Michael Worley, Nass vice-president, said it was essential for the industry's and consumers' wellbeing that there was an ample number of strong independents.

Mr Dayrell McArthur, Nass president, said stockholding, with expansion of output in construction and car making, was in very good shape.

Irish request for special talks granted

BY KIERAN COOKE, DUBLIN CORRESPONDENT

THE NORTHERN Ireland Office said last night that the British Government was acceding to an Irish Government request for a special meeting of the Anglo-Irish conference.

Dublin had yesterday requested an immediate meeting to discuss Britain's decision, announced on Monday, not to bring prosecutions after allegations that the Royal Ulster Constabulary operated a shoot-to-kill policy in 1982.

The allegations had led to an inquiry initially conducted by Mr John Stalker, then deputy chief constable of Manchester. Sir Patrick Mayhew, the UK Attorney General, said on Monday that it would not be in the public interest for the RUC officers concerned to stand trial.

The decision caused anger on both sides of the Irish border yesterday. An Irish government spokesman said there was a need for a meeting of the conference, which monitors the terms of the 1985 Anglo-Irish agreement, because of the implications for public confidence in the administration of justice in Northern Ireland, and for cross-border security co-operation.

Mr Alan Dukes, leader of the opposition Fine Gael party, described the decision not to bring prosecutions as astounding, and Mr John Hume, leader of the Social Democratic and Labour Party in Northern Ireland, said it was unbelievable. "What society", he asked, "can withstand the principle that national security transcends the cause of justice?"

It is felt in Dublin that the decision poses the severest test yet to the Anglo-Irish agreement and represents something of a propaganda coup for the IRA.

Mr Gerry Adams, president of Sinn Fein, the IRA's political wing, and MP for West Belfast, said the decision showed the British Government was contemptuous of the Irish people. "Nationalists now see that British law cannot protect them," said Mr Adams.

Mr Ian Paisley, leader of the Democratic Unionist Party, welcomed the decision not to prosecute, saying: "Political handcuffing of the security forces must end. I welcome this as a step in the right direction."

Since the Anglo-Irish agreement was signed, the Irish Government has emphasised that confrontation between nationalist groups and the security forces in Northern Ireland must be ended. It has also sought changes in the judicial system in the north. Dublin officials feel those efforts have been undermined by the attitude of the British Government.

Mr Peter Barry, Irish Minister for Foreign Affairs at the time of the Anglo-Irish agreement, said he would now reconsider advice he once gave – against considerable criticism from some sections in the republic – that nationalists should join the RUC.

Meridien Hotel joins the stars

By Michael Thompson-Noel

FIRST he went ashen. Then tears of joy trickled down his cheeks.

At 33 years of age, David Chambers – executive chef at London's swank Meridien Hotel in Piccadilly – learnt yesterday that he had joined the exclusive ranks of Michelin-starred chefs, when the French tyre company published its 1988 Red Guide to hotels and restaurants in Britain and Ireland.

The Meridien in London thus joins the Meridien Hotel in Paris on the one-star rung of Michelin's exalted system. The Meridien chain is owned by Air France.

Although world stock markets have sagged like a half-cooked souffle, Michelin says that it detects no shake-out in the higher reaches of the UK restaurant trade.

The 1988 Red Guide covers 5,174 hotels and restaurants in 2,729 locations, against 4,764 establishments in the 1987 guide.

Mr Derek Brown, head of Michelin's UK tourism division, said British cooking is becoming "much more innovative and imaginative. Large hotels are without question investing heavily."

Yet there was a slight dwindling of star power among the fanciest restaurants. Britain still has only two three-star and only four two-star restaurants, unchanged from a year ago.

There is a reduction in the number of one-star restaurants, from 33 to 30. Seven lost their single stars, although there were four newcomers. Apart from the Oak Room at the Meridien, those newly starred are Harvey's, in Wandsworth, south London; the Plough at Clanfield, Oxfordshire; and Morels in Haslemere, Surrey.

Restaurants to lose their stars included Ma Cuisine and 90 Park Lane in London, the Provence in Bournemouth, and the Carved Angel in Dartmouth.

Mr Michel Novatin, general manager of the Meridien in London, said that dinner in the Oak Room cost about £45 a head, and that the secret was "not to take ourselves too seriously."

His newly starred chef was even more succinct: "I'm choked." Mr Chambers works a 15-hour day and has been cooking since he was 16.

The Guide costs £7.50 and is expected to sell 80,000 copies.

Lords criticise EC draft on food inspection code

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

A PROPOSAL for measures to harmonise European food inspection standards, which does not so much as mention the word "hygiene," should be withdrawn and rewritten, according to a parliamentary committee.

A report from the House of Lords select committee on the European Communities, published today, agrees that common inspection standards would help the Community to develop free trade in foodstuffs.

However, it roundly condemns the European Commission's draft directive on the subject as "obscure" and "inconsistent". As well as lacking references to hygiene, the draft says nothing about quality standards.

Suggestions on inspection procedures, while referring to personal cleanliness and clothing, exclude other important factors such as microbiological standards, temperature control and training, the report says.

The committee finds little fault with existing British inspection systems, but it recommends that local authority officials should be given powers to inspect food processing factories. Most monitoring takes place at the retail level.

Evidence to the committee from retailers and local authority representatives suggested that 35,000 factory tests could be as effective as 170m individual checks on packages in shops. Trading standards officers examine about 1m packs a year.

Witnesses told the committee there was little need for manufacturers to fear that their product secrets would be put at risk by official inspectors visiting their factories.

Official Inspection of Foodstuffs, HL Paper 33. HMSO. £8.

EOC launches drive for places on public bodies

BY JOHN GAPPER

A JOINT initiative to increase the number of women appointed to 45,000 places on public bodies was launched yesterday by the Equal Opportunities Commission and the public appointments unit of the Cabinet Office.

A set of guidelines for government departments that make such appointments will advise them to give women a greater chance by considering factors including the "life experience" of those who have taken a break in their careers.

Last year, 19.6 per cent of the appointments were held by women. Women now form 27 per cent of a pool of suitable candidates for future vacancies prepared by the unit.

The appointments range from places on the BBC board to membership of industrial training boards and wages councils. Half are made by government departments alone and half on outside advice.

Mr Geoffrey Morgan, director of the public appointments unit, said the unit was trying to increase the number of women in its pool by approaching such sources as public companies and voluntary bodies.

He said the initiative was supported by Mrs Margaret Thatcher, the Prime Minister, and was intended to bring more talent to public bodies rather than to boost the appointment of women for its own sake.

Baroness Platt, EOC chairman, said she believed the under-representation of women, with their particular qualities and experience, on public bodies implied that those bodies were functioning inadequately.

The guidelines advise government departments to seek women candidates from such sources as professional associations and voluntary bodies and make sure that applications forms encourage applicants to list all "relevant experience."

Electricity consumer safeguards plan

BY MAURICE SAMUELSON

THE GOVERNMENT is planning to impose a system of penalties on the electricity industry if it gives customers a poor service after it is privatised.

The penalties would be included in the legislation on its change of ownership, to be presented to Parliament before the end of the year, Mr Michael Spicer, junior energy minister, said last night.

Speaking to the Association of Manufacturers of Domestic Electrical Appliances, he gave no clues on how the industry would be restructured. However, he stressed that the Government was committed to securing the maximum degree of competition.

Commenting on the re-election of Mr Arthur Scargill as president of the National Union of Mineworkers, he said: "It is worth reminding ourselves that a privatised electricity industry will be free to buy its coal in the best markets."

In addition to promising electricity workers "generous share purchase schemes", Mr Spicer said the Government was determined that customers would also benefit from the industry's privatisation.

While protecting their existing rights, the legislation would also include "brand new measures" to ensure their rights to a good service.

The penalties could resemble the system of guaranteeing service standards pioneered by the East Midlands Electricity Board, which financially compensates customers for slow attention to repairs or delivery of appliances.

Defending the Government's privatisation programme, Mr Spicer claimed that the nation was already reaping the benefits of the sale of the gas and telecommunications industries.

Trident missile boats 'will meet schedule'

By Lynton McLain

TRIDENT nuclear missile submarines are to go into service on the date originally set, the Ministry of Defence announced yesterday.

However, staff shortages and problems with the construction of a new building for warhead production continue to affect the Atomic Weapons Establishment at Aldermaston, Berkshire.

The delivery of warheads will be on time for the submarines to begin entering service in the mid-1990s, the MoD said.

The MoD said it would be examining articles in The Independent newspaper yesterday to see if they were in breach of the Official Secrets Act. The newspaper claimed that the Atomic Weapons Establishment faced difficulties "so profound" that they were likely to alter the effectiveness of Britain's new Trident missile system in its early years.

Last year a report by the Comptroller and Auditor General highlighted a number of problems in the programme of building works at Aldermaston.

The MoD said measures had been taken to meet the difficulties.

Barry Riley recounts the gradual takeover of Save & Prosper

Fleming courtship lasts 15 years

THE PROPOSAL for Robert Fleming, the merchant bank, to take 100 per cent control of Save & Prosper, the big unit trust group, marks the completion of a process of takeover that has lasted 15 years.

Robert Fleming, privately owned, is to pay some £69m in cash for the 35.75 per cent of S&P it does not already own. That will make possible the integration of the two businesses and in particular the creation of a single investment management operation with £24bn under its control.

The original connection arose when Fleming sold its unit trust operations to S&P and took a minority stake in return. The basis of the relationship was that Fleming would concentrate upon wholesale or institutional fund management for clients such as pension funds or investment trusts, while S&P would focus on retail investment business, mainly unit trusts.

There has been speculation over the years that Fleming would float Save & Prosper as a way of capitalising on a big balance-sheet investment. The logic appeared to be that Fleming would need a lot of capital to finance its expansion into the securities business.

Instead Fleming has repeatedly raised its stake. In 1981 it bought interests held by Baring Brothers, another merchant bank, and Atlantic Assets, an Edinburgh-based investment trust, and raised its stake from 23 per cent to just over 50 per cent. Five per cent more was bought from Barings last April.

John Manser: good career opportunities

Paul Bateman: new S&P chief executive

The principal remaining outside shareholders are two more investment trusts, Edinburgh and Foreign & Colonial, and the Bank of Scotland pension fund. Those shareholders have been advised in the deal by Kleinwort Benson.

Several S&P directors also have equity interests. The chairman, Mr Cholmeley Messer, and two other directors own shares and options valued at more than £1m gross by the £6.40-a-share terms of the offer, according to the end-1986 accounts.

Mr Joe Burnett-Stuart, chairman of Robert Fleming, denied that the offer was precipitated by last October's crash, which hit share prices of quoted unit trust companies hard.

He said an offer was being seriously thought about more than six months ago because of the increasingly overlap of the wholesale and retail activities. "The distinction has become more difficult to maintain."

Areas of potential conflict include the development of unit trust-type products for the institutional market, and the provision of portfolio management services for private individuals, where Fleming has concentrated on a wealthier clientele but where there is nevertheless some overlap.

In fund management there has been an growing need to co-operate in more technical products, such as those involving futures and options, while at the retail level S&P has for years offered clients a high-interest bank account provided by Fleming.

Another factor is said to have been the difficulty of maintaining an attractive career structure in Save & Prosper's fund management department, which manages £4.2bn. The merger with Robert Fleming, which controls four times as much, will create more scope.

"We are now of a size to offer good career opportunities not only in the UK but also overseas," said Mr John Manser, S&P chief executive. "We believe this will offer better investment performance to our unit-holders."

Mr Manser will become chief executive of Robert Fleming Asset Management. His replacement at S&P will be Mr Paul Bateman, at present marketing and development director. Mr Burnett-Stuart said the capital required to buy out the S&P minority could be financed internally, including some from hidden reserves. "It won't have any impact on our capital ratios that the world will notice," he said.

There was no question of the deal being a tidying-up operation leading to the flotation of Fleming itself, he said. In the light of recent stock market events, Fleming's position as a private company had been amply justified.

Consent sought for incinerator

By Ralph Atkins

CLEANAWAY, the UK's biggest waste management company, has submitted a planning application for a £15m liquid and solid waste incinerator at Ellesmere Port, Cheshire.

The plant would supplement Cleanaway's existing incinerator, built in 1973 at another Ellesmere Port site.

The new plant would be able to handle about two tons of solid waste and three tons of liquid waste an hour.

Cleanaway, a joint enterprise between GKN and Brambles, the Australian materials handling group, hopes the plant will be in operation from early 1990.

Companies favour new technology

BY CHARLES LEADBEATER, LABOUR STAFF

COMPANIES have sharply increased their use of micro-technology in recent years, according to a forthcoming survey on the employment impact of new technology.

The survey, to be published later this year by the Policy Studies Institute, is in line with previous findings about both the rapid growth of new technology in industry and its relatively widespread acceptance by employees and their unions.

Preliminary results of the PSI's study of company use of new technology in 1987 reveal that about two-thirds of factories employing more than 20 people are using micro-electronics in their production processes or products, compared with only 30 per cent six years ago and less than 10 per cent nine years ago.

However, diffusion of new technology has been extremely uneven. Only half the factories employing between 20-49 workers and less than a quarter of very small companies are using micro-electronics, compared with almost all the larger factories employing more than 500 people.

The survey suggests that only a minority are using microtechnology in the greater part of their products or production processes, or are employing the most advanced forms of applications.

It says that lack of technical expertise remains the main obstacle impeding the use of new technology, in line with previous findings in surveys published in 1981, 1983 and 1985.

According to a paper on the preliminary results outlined to a recent Manpower Services Commission seminar, the skills shortage ranks as the most important problem in all sizes of factories, industrial groups and regions, regardless of whether companies are UK or foreign-owned.

The PSI study suggests that employers might have cut their spending on training in spite of the economy's growth since the early 1980s.

It says that 80 per cent of companies did not send workers other than engineers on training courses between 1985 and 1987. Three earlier surveys covering the period 1979 to 1985, found that about 76 per cent of companies had not sent any of their non-engineering workers on training courses in the previous two years.

The latest survey shows that 49 per cent of companies had not sent their engineers on training courses within the last two years. This is a significant increase on 1985 when 61 of companies said they had not sent engineers for training within the previous two years.

The survey suggests investment in training has not kept pace with the rapid diffusion in new technology since 1979.

Moore invites RCN leadership to talks

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LEADERS of the Royal College of Nursing, the main nurses' union, are to meet Mr John Moore, the Health and Social Services Secretary, next Monday to press for government action on the National Health Service.

The RCN said yesterday it believed it alone among the nursing unions had been invited to talks because it had a long-standing request for a meeting.

However, the Government is likely to have given priority to the RCN also because of the union's no-strike policy. Ministers will be anxious to shore up the RCN's leadership which faces criticism for appearing ineffectual.

Preparations were yesterday beginning at the RCN's London headquarters for the expected ballot of all 266,000 members on whether to overturn the no-strike policy.

The leadership considers it only a formality for the union's branch at St Thomas's Hospital, London, to collect the 1,000 signatures necessary to requisition an emergency general meeting of the college at which a proxy ballot would be held. The branch voted on Monday to collect the signatures.

The ballot, which will cost the union £55,000, will give RCN members 21 days to vote before the general meeting and is likely to take at least five weeks to complete. It will require a two-thirds majority to overturn the no-strike policy.

While the leadership is confident the policy will be endorsed, it became clear yesterday that there will be a strong internal campaign to emphasise the disadvantages of industrial action.

In a newsletter being sent to members, the union says: "The RCN is the gentle giant of nursing in the NHS. If it seems slow to awaken, that is because of its size and its commitment to democratic decisions taken by the people elected to represent all the members."

Mr Trevor Clay, RCN general secretary, says in the newsletter: "The RCN road of opposing government by research, steady argument, mobilising public support, lobbying politicians and proposing solutions to NHS problems is the hard option."

Cohse, one of the RCN's rival nursing unions, yesterday came under increased pressure to step up action over the NHS.

John Moore: anxious to shore up RCN leadership

Union fails to agree pay settlement

By John Gapper, Labour Staff

BRITISH COAL claimed yesterday that members of Nacods, the pits deputies union, had been "astonished" by the union's decision to hold a pithead ballot on industrial action over a wage claim.

Mr John Northard, operations director, said that British Coal was referring a 4.2 per cent pay offer to the industry's national reference tribunal, the final stage of joint conciliation machinery.

The ballot of Nacods' 10,000 members was held yesterday after the two sides failed to reach agreement over a proposal to link a pay settlement to an extra two hours' overtime each week. Mr Northard said he was "appalled" that Nacods appeared to be ignoring the established conciliation scheme.

The dispute may have some bearing on the issue of six-day working, which the National Union of Mineworkers has been resisting. Nacods claims that the extra overtime provision could free British Coal to implement new working patterns.

● The Prison Officers' Association national executive will this week consider the result of negotiations with the Home Office over manning levels for the introduction of the Fresh Start package of working practices. Talks have been taking place for several weeks following a ballot favouring industrial action by the 19,000 unified grade officers in the POA. The POA is currently taking token industrial action.

Jimmy Burns on a trend towards non-unionism

NUJ action could open chapter of unrest in book publishing

BRITISH BOOK publishing – once a cottage industry where managers were gentlemen and employer-employee relationships were conducted in a "civilised manner" – is close to becoming a new battleground for union representation.

"As a group we have decided that we can deal better with our professional staff on an individual manager-to-employee basis than through the heavily-graded bureaucratic process of trade union collective bargaining." So says Mr Paul Hamlyn, chairman of Octopus Books.

Next month, the National Union of Journalists is planning a "day of action" in protest at what it sees as a growing erosion of fair terms and conditions as a result of a trend towards non-unionism in book publishing.

Union anger has so far been focused on the Octopus Group, which in recent weeks has de-recognised the NUJ in three companies it has acquired, although the NUJ also names other companies such as William Collins, Marshall Cavendish and Penguin as organisations where NUJ agreements are being threatened.

Mr Mike Hills, NUJ national organiser for the book publishing industry, says of the de-unionisation moves in the industry: "It has become quite apparent to us that this is turning into a groundswell and as a result there is increasing anger and concern."

Senior managers at Octopus deny that they are consciously acting as a catalyst for an industry-wide drive for de-recognition.

They claim, instead, that almost alone among their competitors, they recognised more than 10 years ago that in an increasingly competitive and internationalised market, book publishing had outgrown the need for organised labour.

One senior executive says: "I don't think any union has a place in the management of a modern company."

Octopus says that it is at the "forefront of profitability, salary progression and full employment."

NUJ officials accept that Octopus employees have had a long established reputation as among the best, if not the best paid in the industry.

However, at a recent meeting of Octopus employees, the talk was of former "perks" such as free lunches, private health insurance and profit-sharing schemes being eroded as part of the company's drive to cut costs and improve upon its market position.

Employees said the company's redundancy terms were poor and criticised the lack of job security offered to them.

Employees are also concerned about the company's plans to extend the use of new technology once it moves to new offices in the spring.

NUJ officials fear that this may preface further and even more radical employee relations moves.

In the manner in which it conducts its industrial relations, as in the way it has pursued an international market, Octopus has never been afraid to break the tacit rules of the trade.

The current tensions within the book publishing industry run parallel to changes which have taken place in newspapers, and more recently at TV-am.

Indeed, Mr Hamlyn was once a joint managing director with News International, the multi-national newspaper and broadcasting organisation, and Mr Ian Irvine, Octopus chief executive, was formerly a senior staff member of Express Newspapers.

Mr Hamlyn and his senior management share with News International and TV-am an unabashed contempt for established conventions.

Yet with the exception of the early 1970s, when the NUJ briefly attempted – without success – to insist on a national agreement and a virtual closed shop, union organisation has never had as great an impact on book publishing as it has in the printing or television industries.

More than 30 companies have had collective bargaining, with a special emphasis on maternity rights among the mainly female workforce.

However, this has not prevented book publishing from developing as a highly individualistic industry within which salaries and job descriptions have been allowed to vary considerably.

NUJ officials argue that the Octopus strategy of de-unionisation within the companies it has acquired carries the risk of provoking the kind of industrial militancy that book publishing has so far generally managed to avoid.

Cleaning contractors threaten to cut pay rates

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE MAIN cleaning contractors are threatening to cut pay rates in local government when councils are forced to put services out to tender next year.

It looks increasingly unlikely that the Contract Cleaning and Maintenance Association, the trade group, will establish a voluntary code on pay in local government in the same way as it has in the National Health Service.

One reason for this is that while the minimum NHS pay rate for cleaners is £81.13, the equivalent local government rate is £95.75 because of last year's 10.6 per cent wage rise for council manual workers.

Mr Michael Bizley, CCMA chairman, said: "The problem is that there is now a significant difference between the national local government rate and the commercial rate prevailing in many parts of the country."

In the NHS, most contractors' employees receive remuneration terms markedly inferior to those laid down under Whitley Council arrangements for health authority employees.

However, the 28 CCMA member companies which have won NHS contracts strictly observe a voluntary agreement not to cut pay rates below the Whitley minimum.

This "cartel" arrangement has angered some free-marketeers who say it runs counter to the spirit of contracting-out. However, the contractors point out they often pay local rates above the Whitley minimum to recruit and retain staff.

Mr Bizley said it is "early days" to say whether the pay arrangement will be extended to local government when compulsory competitive tendering for certain services, including cleaning, begins in April 1989.

The CCMA, which has a total of 150 member companies with combined annual turnover of £750m, expects cost savings of 25 per cent to be achieved by tendering in local government. It says the opening up of the local authority market will enable contractors to maintain their present average turnover growth of 33 per cent a year.

Discrimination alleged

BY JOHN GAPPER, LABOUR STAFF

JOB OPPORTUNITIES for black women are severely limited by race and sex discrimination, and many of those in work believe they have little chance of promotion, says a report on employment in Sheffield.

The report, based on national and local surveys, finds black workers are under-represented in three areas selected for study – the retail sector, Sheffield City Council and Sheffield Health Authority.

It reports that a third of black women interviewed in one study said they would apply for retail jobs because they believed employers would reject them on race grounds.

The proportion of black workers in the Sheffield labour force is 4.5 per cent but they form only 1.1 per cent of retail workers, 1.5 per cent of the council workforce and 4 per cent of those employed by the health authority.

The report, prepared by the employment department of the city council, contains interviews with black workers complaining that they are regarded with particular suspicion on security grounds in retail stores.

● Trade union policies are increasingly taking account of the needs of disabled members, in spite of a poor response from employers in complying with legal employment quotas.

Marine and air insurers 'face big income fall'

BY NICK BUNKER

LONDON'S marine and aviation insurers are facing a big fall in income because of premium rate cutting, according to the Institute of London Underwriters, a trade body for 111 insurance companies.

The downturn is occurring because of fierce price competition from overseas insurance markets, the institutes said yesterday in its 1987 annual report.

It arises because the insurance industry's financial capacity is growing at a time when world trade and shipping are stagnant, the report said.

But the institute also blamed mergers between big insurance brokers in London for creating "an unsettled market" that put still more downward pressure on prices.

Mr John Parton, the institute's new chairman, said: "I anticipate the next couple of years being very difficult indeed. I have had brokers who are astounded at the rates they have been able to get in the market."

There were signs of an upturn in traffic and shipbuilding, especially of warships, but the underwriting downturn was still likely to be a long one, said Mr David Lowen, Mr Parton's predecessor.

Although the institute will not quote any figures showing the extent of rate cutting, there are reports in the London market of 20 to 30 per cent cuts on marine business and even some 50 to 60 per cent reductions on airline fleets.

The warnings follow two years during which a combination of rising prices and falling shipping losses have produced good results for underwriters.

In 1987, 139 merchant ships worldwide were posted as losses, totalling 1.179m gross tons, compared with 156 ships totalling 1.207m gross tons in 1986. Nine tankers and 24 bulk/combination carriers amounting to 771,470 gross tons made up 65.4 per cent of last year's losses.

In aviation insurance, however, 1987 proved to have the second worst disaster record in history, with 20 western-built jet airliners lost, with a total value of $258m (£144m). In 1986, 15 airliners were lost, worth $119m.

But improved marine insurance results have attracted more competitors into the industry, with capacity increasing in the UK, the US and in some European insurance markets, the institute said.

The decline in many nations' shipping trade made their local insurers hungrier for overseas business, it added.

Environmental care 'good for business'

BY CHARLES BATCHELOR

A NATIONWIDE campaign was launched yesterday to persuade British companies to improve and landscape derelict sites surrounding their factories and offices.

The aim of the Brightsite campaign is to persuade companies that it is in their own interest to improve the look of land surrounding their premises.

Mr Bob Reid, chairman and chief executive of Shell UK, which is supporting the scheme, said an attractive environment could improve staff morale, impress customers or potential customers and improve relations with local authorities.

Brightsite is an attempt to bring to wider notice the work of Groundwork, an environmental foundation set up five years ago in St Helens by the Countryside Commission to clear derelict land on the edge of Merseyside towns.

Groundwork now has trusts in 13 areas around the country and will launch four more this year. It carried out more than 500 projects in 1987 involving spending of £10m. It advises companies on what they should do to improve their areas and identifies sources of government and other aid available to pay for it.

"Companies will sponsor the arts but cleaning up Britain's grotty acres is not a popular area for sponsorship," said Mr John Davidson, chief executive of Groundwork.

The Brightsite programme is aimed particularly at small and medium-sized companies which were often too busy managing their own business to devote time to environmental issues, he added.

Funding to promote the Brightsite campaign has come from Shell UK (£70,000), the Countryside Commission (£40,000) and the European Commission (£7,500).

Groundwork will have a budget in 1988-89 of £2.7m – a 25 per cent increase on the current year – £1.2m from the Countryside Commission and £1.5m from the Government.

Brightsite, Groundwork Foundation, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST. Tel 021 236 8565.

Scottish fund managers 'beat leading indices'

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SCOTLAND'S independent fund managers are claiming to have substantially outperformed leading stock exchange indices during the second half of last year.

The independent fund managers, which include concerns such as Baillie Gifford and Martin Currie in Edinburgh, and Murray Johnstone in Glasgow, saw the value of their funds under management fall by 16.3 per cent during the six-month period, when the stock market collapsed.

That compares with a drop in the FT Actuaries All-Share Index of 24.5 per cent and in the FT Actuaries World Index of 20 per cent.

The funds under management totalled £13.4bn at the end of the year, an increase of 3.3 per cent compared with 1986, according to figures presented by Scottish Financial Enterprise, which represents the Scottish financial community. The fund managers employed an extra 200 people during the year, taking the total to 785.

Office air 'may be hazard to health'

By Fiona McEwan

GOING TO work can damage your health, says a report issued yesterday by Air Conditioning and Ventilation Analysis.

ACVA is a US-based indoor air-pollution specialist that made a UK pilot survey and is setting up a UK subsidiary called IAQ Diagnostics.

Researchers say more than half Britain's offices may be a health hazard because of Sick Building Syndrome.

The condition, increasingly recognised by scientists and the building industry, causes ailments in those working in faulty buildings.

Symptoms include sore eyes, aching throats, headaches, lethargy, allergic reactions, general respiratory problems and mental confusion.

ACVA, of Virginia, identifies main causes as poor ventilation, and inadequate filtration and contamination of air-conditioning systems. Its findings support British reports on the syndrome.

The pilot study shows the levels of foreign bodies in the indoor-office environment are similar to but marginally higher than those in the US.

Last autumn a sample 22 typical indoor-working environments, including financial institutions and health centres, were judged for contaminants such as nicotine, carbon monoxide, bacteria and fungi. Sixteen were termed borderline and needing improvement.

Dirty air-conditioning is a known hazard. The first fatal epidemic of Legionnaire's Disease came from bacteria in a dirty system.

Faulty filters, clogged ducts and neglected humidifiers incubate dangerous fumes, bacteria and fungi that circulate through ventilation systems, says Mr Gray Robertson, ACVA founder.

Much of the breeding ground is in the ductwork, out of sight and so out of mind in most buildings.

The problem is aggravated when the system is operated incorrectly. Where outdoor vents are closed to save energy, workers breathe recycled indoor air.

Many organisms ACVA found in UK offices are known causes of allergies.

However, sick buildings can be dealt with. ACVA says its seven-year analysis covered buildings totalling 40m sq ft in the US, Scandinavia and Australia.

It found absenteeism caused by SBS could be cut by about 2 per cent with improved ventilation.

Mr Robertson was alarmed by hospital pollutant levels but found smoking in offices far less a cause of the syndrome than is generally believed.

Other SBS signs are stuffy air, odour, and dust on diffuser grills.

Sickness is also caused by copying machines producing toxic chemicals, and by carpets, which incorporate formaldehyde.

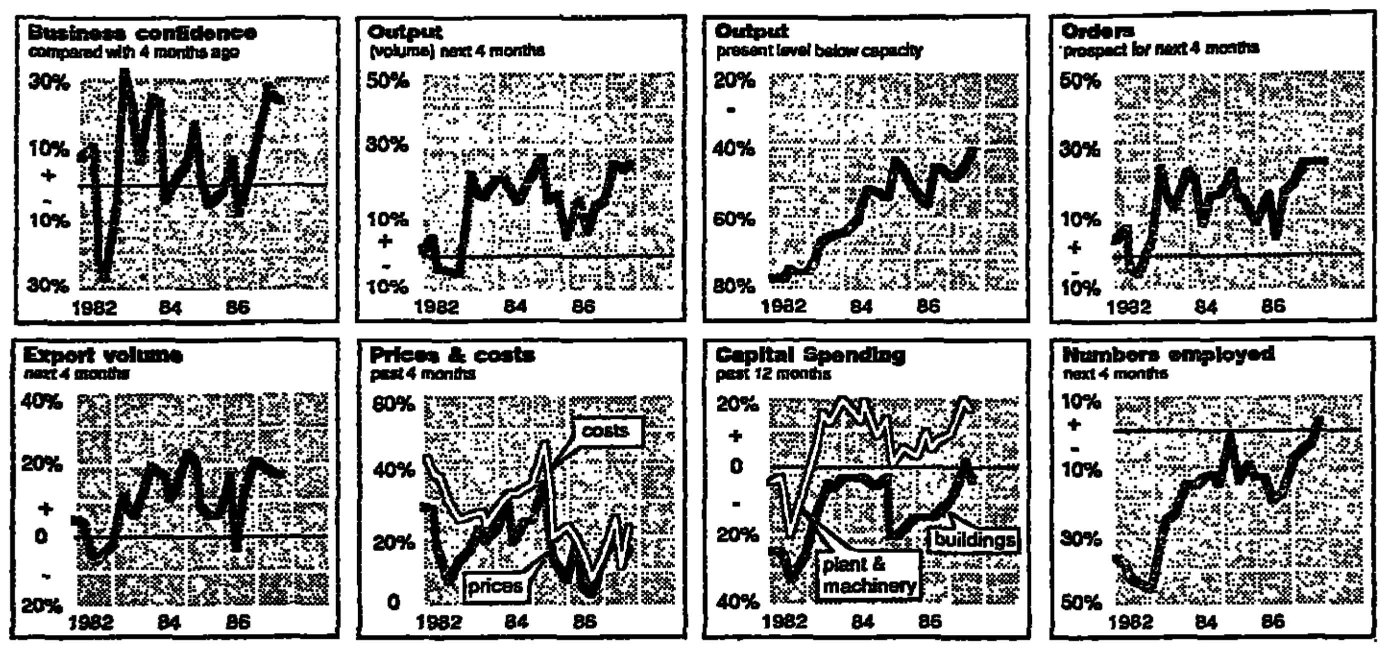
The Environment Department is midway through a small research programme into the syndrome, launched last May in conjunction with the Building Services Research and Information Association.

Indoor air quality pilot study. ACVA, PO Box 4RH, London W1A 4RA. Free.

CBI QUARTERLY INDUSTRIAL TRENDS SURVEY

REPORT BY PHILIP STEPHENS

Share crash worries industry over exports



BRITISH MANUFACTURING industry remains relatively confident of the prospects for further gains in output over the next few months, but recent turmoil on financial markets has severely dented optimism about export prospects.

The Confederation of British Industry said yesterday that its latest Quarterly Industrial Trends survey suggested that manufacturing production would continue to rise strongly but at a more moderate rate than over the past year.

The outlook for employment in manufacturing is reported to be the best since 1974, while investment spending is also expected to remain buoyant.

The survey indicates, however, that growth in exports is likely to slow significantly, while more rapid increases in costs are also putting pressure on prices. That has contributed to some fall in the proportion of companies reporting a rise in business confidence.

A spurt in output growth last autumn has left fewer companies working below capacity than at any time since the question was first asked in 1958. But fewer companies report shortage of capacity constraining output than at the time of the last survey in October – a response interpreted by the CBI as indicating that there is little evidence of the economy "overheating".

The CBI said yesterday that the responses from the 1,373 businesses involved in the survey suggested that demand in the economy had become more broadly based, with capital goods industries reporting particularly strong increases in their order books.

Judging by the survey results, the CBI says it expects quarterly growth in manufacturing output to slow from 1.6 per cent in the last three months of 1987 to 1.4 per cent in the first quarter of this year. Manufacturing companies are forecast to increase their workforces by 10,000 over the next three months, and by the third quarter of this year investment spending should be 9 per cent higher than a year earlier.

Business optimism: Some 23 per cent of companies said they were more optimistic than in October about the business outlook, while 65 per cent said their view had not changed and 12 per cent said they were less optimistic.

The resulting percentage balance (the proportion reporting a rise minus those reporting a fall) of 11 per cent compared with a figure of 23 per cent in October and 12 per cent in January 1987.

Output and orders: The survey confirms the recent rapid growth in manufacturing output, with a balance of 31 per cent of companies reporting increased production since October. A balance of 26 per cent expect those increases to carry through to the next four months.

Order books have also been buoyant although they are expected to moderate in the early part of this year. A balance of 26 per cent of respondents said orders had improved since October, although a balance of only 16 per cent expect a further rise over the next four months. The balance of 20 per cent reporting above-normal order books is the highest for 10 years.

The CBI said growth in output and orders had been broadly based. The output of capital goods companies appears to have been particularly strong, while the food, drink and tobacco and the mechanical engineering sectors have particularly buoyant order books.

Capacity and constraints on output: The proportion of companies operating below capacity has fallen to 35 per cent, the lowest proportion for 30 years, and difficulties with fixed capacity constraints have been particularly marked among large companies and in sectors such as chemicals and textiles.

Despite much higher utilisation rates, however, 87 per cent of respondents said their capacity was adequate to meet expected demand, up from 85 per cent in October.

The most frequently cited constraint on output remains lack of orders, but, at 67 per cent, the proportion of companies reporting that remains at historically low levels. Capacity is cited by 21 per cent as a constraint while 20 per cent blame a shortage of skilled labour.

Individual sectors with particularly acute skill shortages include textiles and engineering.

Employment: A balance of 9 per cent of repondents said they had increased their workforce over the past four months. Small companies, with fewer than 200 employees, continue to show the strongest growth in employment while large companies are still shedding labour, although at a much reduced rate.

The jobs position in capital goods industries has been particularly strong, and the heating, ventilating and refrigerating equipment sector has greatly increased its workforce.

A balance of 8 per cent of companies expect the improved jobs outlook to continue.

Costs and prices: A balance of 39 per cent of companies expect to raise their prices over the next four months, the highest figure for three years. The sharp jump from a balance of 23 per cent in October in part reflects the normal seasonal price increases at the start of the year, but there is also evidence of increased cost pressures.

A balance of 16 per cent of companies said their average unit costs had increased over the last four months and a balance of 33 per cent expect an additional rise in early 1988.

Exports: The most marked downturn in confidence was reported by companies that responded to the survey questions on exports. More companies are pessimistic than optimistic about export prospects, with the balance at minus 7 per cent, its worst level since mid-1986. A balance of 14 per cent of companies said their export order books had improved over the past four months, but only 7 per cent expect that trend to continue.

A balance of 22 per cent said their export deliveries had increased over the past four months, but only 11 per cent expect a further rise.

Investment: A balance of 20 per cent of companies foresee authorising more capital expenditure over the next 12 months, indicating a slight pick-up in the rate of investment. The main impetus for such spending remains efficiency, but there are also signs that the need to increase capacity is becoming a more significant factor.

Granada enters film-making industry

BY DAVID THOMAS

GRANADA, THE television and leisure group, yesterday joined film industry ranks by forming Granada Film Productions, a subsidiary to make feature films.

The new company will help to fund and develop mainly low-budget films by independent producers.

Entering films has long been an aim of Granada. Last year it expressed interest in buying Goldcrest, the Oscar-winning, loss-making British independent film company.

Granada will seek partners to help to fund a particular film. Partners in its first projects include Channel Four, British Screen and Atlantic Entertainment, a US film concern.

Granada does not intend to set up a big production team of its own. It will offer creative advice to teams it supports and will contribute about 30 per cent of a film's equity finance, as well as covering a film's development costs.

Sir Denis Forman, Granada deputy chairman, is to chair the subsidiary.

He said it would not usually back a film costing more than £2m. It would aim to back about four to six films a year. That figure might rise if the venture were successful.

He said film production was "a fairly rum old business" not known for consistent profitability, but added: "We know that there is an expanding market . . . a very heavy demand for more feature films."

Granada says British films still find a ready market abroad.

The subsidiary will also offer films to British Satellite Broadcasting, holder of the UK satellite broadcasting franchise, in which Granada has a stake, and to television companies, including its own and Channel Four.

Sir Denis emphasised that the films would not have an automatic airing simply because Granada had an interest in a particular outlet.

Granada has two films at pre-production stage. Two more are planned for production this year.

The first project is The Tree of Hands, a Ruth Rendell thriller starring Lauren Bacall, Helen Shaver and Peter Firth.

The second will be Joyriders, an adventure story set in Ireland, with a director and writer making feature-film debuts.

Lancashire seeks EC assistance for coastal towns

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

LANCASHIRE COUNTY Council is to press the Government to redesignate Blackpool, Fleetwood, Morecambe, Lancaster and the coastal strip joining them as assisted areas because of continuing decline and worse unemployment levels than average.

The strip runs from Lytham St Anne's, around the Fylde peninsula, and northwards to Morecambe Bay.

The proposal, which has cross-party support, is aimed at opening up European regional development and social funding, which can go only to assisted or urban programme areas.

Mrs Louise Ellman, Labour leader of the hung council, believes the Government may have made a mistake in redrawing assisted area boundaries in 1984, when unemployment rates were a principal criterion for deciding status.

She says it was assumed that Lancashire's seaside towns had only a seasonal problem that was being solved, but recent experience showed that unemployment was persisting.

The rate in Blackpool's travel-to-work area is 14.7 per cent, while in Lancaster it is 13.6 per cent. Lancashire's average is 11.7 per cent and, although part of the county is in the Merseyside Development Area, the five worst unemployment blackspots are in Blackpool and Lancaster electoral wards, where the rate rises to 44 per cent.

One consequence of losing development area status was that English Estates, the Government's factory-building and marketing agency, pulled out of the Peel Industrial Park in Blackpool. Mrs Ellman says that has left it half-finished, with no private-sector interest in taking up the project.

Lancashire has already proved it can make effective use of European funds, which it has used to spur regeneration of the old Industrial Revolution towns linked by the Leeds-Liverpool Canal. Its canal corridor project has received special assistance for the stretches that are textile closure areas or, like Burnley and Blackburn, in the urban programme.

Sheffield considers stolport

By Andrew Taylor

SHEFFIELD City Council has appointed a firm of engineering consultants to advise on plans for an £11m short take-off and landing airport close to the city centre.

The proposed airport is to be part of an improved transportation system which the city wants to see operating by 1991, in time for the World Student Games which it is hosting.

A 400-acre site near the M1 motorway, formerly Tinsley Park steelworks, has been proposed for the new airport. Sheffield is one of the few British cities of its size and regional importance that has no commercial airport serving domestic and short-haul European routes.

According to Scott Wilson Kirkpatrick, the consultancy, British Coal wants to extract 1.5m tonnes of coal from the site by opencast mining before construction of the airport starts. British Coal would backfill the site to depths of up to 80 metres.

The consulting engineers have been appointed to advise on the effects of mining operations on the airport plan.

John Mowlem, the construction company that developed London's short take-off airport (Stolport) has identified four other cities, including Sheffield, that might be suitable for stolports. They are Cardiff, Paris and an unidentified site in northern England.

Raymond Hughes explains how a companies law netted a reporter

Journalist's ethics bring fine

MR JEREMY WARNER, business correspondent of The Independent, yesterday became the first person to be punished under the 1986 Financial Services Act, which gave teeth to the 1985 Company Securities (Insider Dealing) Act.

Mr Warner was fined £20,000 for refusing to answer questions about his sources from Trade and Industry Department inspectors investigating suspected leaks of price-sensitive information from government departments.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor – the senior judge of the High Court's Chancery Division – said that in fixing the size of the fine he took account of the fact that he had been told that it would be paid by The Independent and not by Mr Warner personally.

The inspectors, Mr John Lindsay, QC, and Mr Peter Crozier, an accountant, were appointed to investigate suspected leaks from the Office of Fair Trading, the Monopolies and Mergers Commission or the DTI. Their inquiries led them to believe that they were looking at large-scale insider dealing - more than £10m by one ring alone – and that Mr Warner could provide them with important information.

In November 1985, Mr Warner, who was then with The Times, had written about the pending "unconditional clearance" by the MMC of a bid for Matthew Brown, the Blackburn brewer, by Scottish & Newcastle Breweries.

In October 1986, he had written in The Independent that the Trade and Industry Secretary "looks certain" to refer a bid by Strong & Fisher for fellow tanner and manufacturer Garnar Booth to the commission.

When Mr Warner refused to disclose the sources of his information, the inspectors invoked the Financial Services Act. Under that, they can complain to the court if someone refuses to co-operate with them without "reasonable excuse."

The court can treat the refusal as a contempt of court.

Last April, a High Court judge ruled that Mr Warner did have a reasonable excuse because the inspectors had not proved that his information was "necessary for the prevention of crime" - one of the exceptions to the general right to protect sources given by the 1981 Contempt of Court Act.

That decision was overturned by the Court of Appeal in May, and in December the Law Lords made a final ruling that Mr Warner had no "reasonable excuse" and must answer.

Yesterday Mr Warner told Sir Nicolas that he was "deeply sorry and very disturbed" to have come into conflict with the courts and the inspectors.

Sir Nicolas asked him if he believed that journalists should be free to disregard the law.

Mr Warner said he believed journalists did not stand outside the law, but, having adopted the principle of protecting confidential sources, must stand by it and suffer the consequences.

Jeremy Warner: fined £20,000 for keeping silence

Giving judgment, Sir Nicolas said that Mr Warner's editor had sworn an affidavit putting the matter on the broadest possible grounds: the absolute sanctity and confidentiality of sources of information.

"That is a stance which is, and must be, wholly unacceptable to the court. The law applies equally to judges, the executive, ministers of state, industrial concerns and the press," Sir Nicolas said.

"Unless the law is complied with by everyone, the essential cement that binds society together will go."

Sir Nicolas said that in 1981 Parliament had reviewed the whole question of the press's right to security of sources of information and established it, in the Contempt of Court Act, as a legal right - but with certain exceptions.

There were special circumstances in Mr Warner's case, the judge said. The most important was that he had published the articles before the Financial Services Act came into force and therefore had no reason to expect that they would bring him into conflict with the law.

Also, the judge said, he accepted that Mr Warner was acting from a true, genuine and conscientious objection.

However, the fact that he published the articles before the act came into force did not exempt him from punishment.

That was because he had since had many opportunities to rethink his position, and because of the importance of the inspectors' investigation and the possible stamping out of insider dealing.

It was not, however, an appropriate case for a custodial sentence, in part because of Mr Warner's genuinely held ethical objection, and in part because such a sentence would be "more likely to lead to the creation of a martyr than to bring home to those breaking the law the wrongness of so doing."

Accountants 'baffled by academics'

By James Buxton

ACADEMICS who specialise in accountancy are accused of producing work that is "incomprehensible and repellent" to most practising accountants.

Although departments of accountancy have been set up in almost every British university during the past 20 years, there is a wide gap between academic studies of accountancy and the practical work of accountants, according to a booklet published by the Institute of Chartered Accountants in Scotland.

Professor William Baxter, of the London School of Economics, says in the booklet that research might be expected to concentrate on practical aspects of the accountant's work. In reality "my own snap conclusion, no doubt arbitrary, is that nearly 50 out of 100 titles (in academic accountancy journals) must be incomprehensible and repellent to most accountants."

The Institute of Chartered Accountants in Scotland says it accepts Professor Baxter's analysis, but urges accountants to try to bridge the gap.

هكذا من الأصل

JOBS

New selection methods need not be the best

BY MICHAEL DIXON

IF YOU are under 5ft 9in tall, a certain public-company chief in Britain will not employ you no matter how splendid your working record. To compensate, however, there is also a bank boss who refuses to hire anyone *over* 5ft 9in.

Or so the Jobs column is told, at least, by headhunter John Courtis, self-elected leader of the Campaign Against Rotten Interviews. He maintains that most employers are such slaves to irrational and irrelevant dislikes and preferences that it is a wonder any interview results in the appointment of the candidate best suited to the work.

The two bosses with their mutually cancelling "heightist" prejudices are far from the only examples Mr Courtis claims to have encountered in the line of duty. Even excepting what he calls "conventional" racial and sex discrimination, his list of further instances includes:

"Dog-lovers who dislike cat-fanciers, and vice versa.

"Many people we know won't recruit anybody they see as ugly. Several are prejudiced against beards.

"Men with unmanly hobbies, and women with manly ones, are widely suspected. Fat people, like anorexics, are assumed to have personality problems. Those who wear suede shoes are a minority hate.

"Among other dislikes are moustaches, monocles, mean-looking mouths, eyes too close together, "Scargill" haircuts – baldness hidden by hair trained over from the side, scruffy dress, regional accents, bow ties, and certain kinds of spectacles and hats.

"We also know an employer who won't take on people who live alone, the objection being that they have no one to act as their sounding board or sheet-anchor. And there's a director of a private company who pays more attention to candidates' star signs than to anything they say or do in an interview.

"Sometimes the prejudices are not known to their owners. Others know their views are biased but justify them, like insurance underwriters justify discriminatory premiums, by quoting past experience."

In Mr Courtis's view, the prevalence of such subjective biases is a cogent reason for dropping the interview as a decisive tool for selecting people for jobs. He argues that it should now be replaced by psychological, personality and other so-called objective tests, together with painstaking reference checks.

In the Jobs column's view, however, the headhunter's proposal is fraught with snags. Research into tests of the kind John Courtis advocates has shown that, while they are more reliable than interviews on average, they are still not trustworthy predictors of people's working ability. The only way to make testing appreciably more reliable than face-to-face chats, is to put each candidate through a range of different selection devices such as in-tray exercises, which increases the cost of recruiting to a level most employers could hardly afford.

Short of that, testing is unlikely to be much better at picking the right candidate than more venerable methods are.

Take for instance Mr Courtis's private-company director who is influenced by star signs. Although I would not myself trust astrology, the evidence is that it does have some value as a predictor of working success. Witness the following quotation from the recently published Oxford Companion to the Mind*, about research work by the French statistician and psychologist Michel Gauquelin.

"Certain professions were chosen – sports champions, actors, scientists – and their birth certificates consulted for the exact time of birth (which is recorded on the Continent, though not in England). The subjects were "famous", to be found in reference books, and their numbers ran into thousands.

"Astrologers believe that the rising sign (the sign coming up over the horizon at the moment of birth) and the rising planet are of basic importance in governing a subject's temperament. Gauquelin's computer analysis seemed to show that three other positions were equally important: directly overhead, sinking below the horizon, and directly underfoot – the four quarters of the heavens, as it were.

"The findings were perfectly clear. Sportsmen tended to be born when Mars was in one of these critical positions, actors when Jupiter was there, and scientists and doctors when Saturn was there. Professor H.J. Eysenck (who checked the Frenchman's research) states: "The results are extremely clear-cut and so significant that there is no question whatsoever that the effects were not produced by chance." But Eysenck, like Gauquelin, is careful to state that he does not consider these results "prove" astrology; rather, he says, they should be regarded as the possible foundation of a new science of astrobiology."

So it seems that the private-company director's trust in star signs is not necessarily the outworn shibboleth that John Courtis evidently assumes it to be.

What is more, there is plenty of evidence that subjective judgements can be better than more calculated methods when it comes to weighing people's claims. A case in point was quoted to me recently by Dr Janet Morgan, who besides being a successful author is an adviser on management matters to the Granada Group.

A few years ago when she was working in Whitehall, she was a member of a high-level group entrusted with assessing a proposal requiring the loan of millions of British taxpayers' money to a businessman from overseas. When decision-time came, Dr Morgan was the only one of the group who voiced an objection to the loan. The other members thereupon asked her why she was against the man's proposal.

"Because he has blow-dried hair," she said.

Readers may perhaps recall the project. It involved setting up a plant in Northern Ireland to make a stainless-steel sports car.

Mixed pair

RECRUITER Vivian Lawrence of the EAL International consultancy is offering a couple of openings with separate businesses in the information technology field. Since he may not name them, he promises to respect any applicant's request not to be identified to the employer at this stage.

The first of Mr Lawrence's clients is a London-based company providing computer software and linked services, including training, with the emphasis on systems which – in principle, at least – are not tied to any particular brand of hardware. Founded four years ago, the company has gained customers all over Europe and had a 1986-87 turnover of just over £2.5m.

It now seeks a marketing director to take responsibility for strategy and all other aspects of marketing and sales. Immediate support is at present provided by 11 staff, operating in two groups. One concentrates on consultancy and project activities for the computer industry, and the other mainly on training.

Candidates should already be marketing managers with proven practical skill as well as theoretical knowlege in the field, plus the understanding of sales work and the personal qualities to lead and develop a sales team. Provided they are not afraid of new technology, they do not need experience in computer services. A graduate-level education would be advantageous, and a master's degree in management still more so.

Salary around £50,000, with the possibility of stock options later. Other benefits include a car.

Vivian Lawrence's second offer is an information-services sales job based in Jersey, which means that it is essential for applicants to hold a residential qualification there. Although the recruit will be given specific training, applicants should have good knowledge of currency dealing or equity broking, be successful in selling to the finance sector, and be able to prepare and fulfil their own business plans.

Guaranteed earnings are about £20,000 with twice as much within reach, plus BMW-type car among perks.

Inquiries to the headhunter at 18 Grosvenor Street, London W1X 9FD; tel. 01-499 0513, telex 27950 ref. 2704.

*Oxford University Press, £25.

USS

U. K. EQUITY FUND MANAGER

The Universities Superannuation Scheme is seeking to recruit a Senior U.K. Equity Manager to join its small and successful team which is responsible for funds of over £2.4 billion.

The successful candidate will work closely with the other members of the team in formulating the overall investment strategy and will be responsible for implementing the policy for U.K. equities.

The position represents an outstanding opportunity for a highly motivated individual to develop his or her investment skills. Preferably, applicants will be graduates or professionally qualified, aged *between* 29 *and* 35, *and have at least four years full-time* experience in U.K. fund management.

A competitive remuneration package will be offered.

Applicants should write enclosing a full CV and details of present responsibilities to:

J. C, Spink, Esq, Universities Superannuation Scheme Ltd., 5th Floor, 48-50 Cannon Street, London EC4N 6JJ

All applications will be treated in the strictest confidence.

EXECUTIVE RECRUITERS (City)

We are a highly regarded global executive search firm (retainer only) with offices in London, New York, Hong Kong and Tokyo. The rapid expansion of our business with the world's leading financial institutions has created a further need for mature individuals to work as part of a well integrated team in our City office.

Experienced candidates must possess a university degree (or equivalent), a professional demeanour, exceptional communication skills and a high energy level. Knowledge of the securities industry is highly desirable. We will also consider candidates without search experience who possess extensive working knowledge of the equity, fixed income and/or corporate finance areas.

Our professionals work in a high performance, high reward culture with excellent advancement opportunities.

Please reply with CV or informal letter in strictest confidence to:

Box AO797 Financial Times
10 Cannon Street, London EC4P 4BY

Our employees know of this advertisement.

Mitsubishi Finance International Limited

EUROBOND SALES PEOPLE REQUIRED

We are the major investment banking arm of The Mitsubishi Bank, committed to the International Capital Markets and wishing to strengthen our Multicurrency Eurobond Sales Team consisting of 12 persons.

Applicants should have a minimum of two years Eurobond sales experience, preferably selling to Belgium, Germany, Luxembourg or Scandinavia, have an analytical and technical approach to marketing and be self-starters. Languages, although not essential, would be an advantage.

Salaries will be negotiable *according to* age and experience and benefits will be consistent with usual banking practice.
Please write in strictest confidence enclosing a full C.V. *to:-*

David Spencer, Company Secretary, Mitsubishi Finance International Limited, 1 King Street, London, EC2V 8EB

Mitsubishi Finance International Limited is a member of FIMBRA

Regional Corporate Finance Executives

Various locations throughout England & Wales

Up to £30,000 plus car and banking benefits

With more institutions offering a wider range of corporate financial services than ever, the need for effective marketing is crucial.

That's why within TSB England & Wales, our 'wholesale' lending and corporate sector operations are supported at the regional level by highly professional business development and marketing services – services which you will lead and co-ordinate and which will involve you in a considerable marketing effort based on personal contact with potential corporate customers. You will be working to agreed business development objectives as well as taking personal responsibility for major accounts.

For these reasons, the executives who join us must be educated to degree level and/or hold a banking or relevant professional qualification. Experience in financial sector business development, credit risk analysis and the provision to companies of corporate banking services will also be essential, as will the ability to communicate information effectively, orally and in writing.

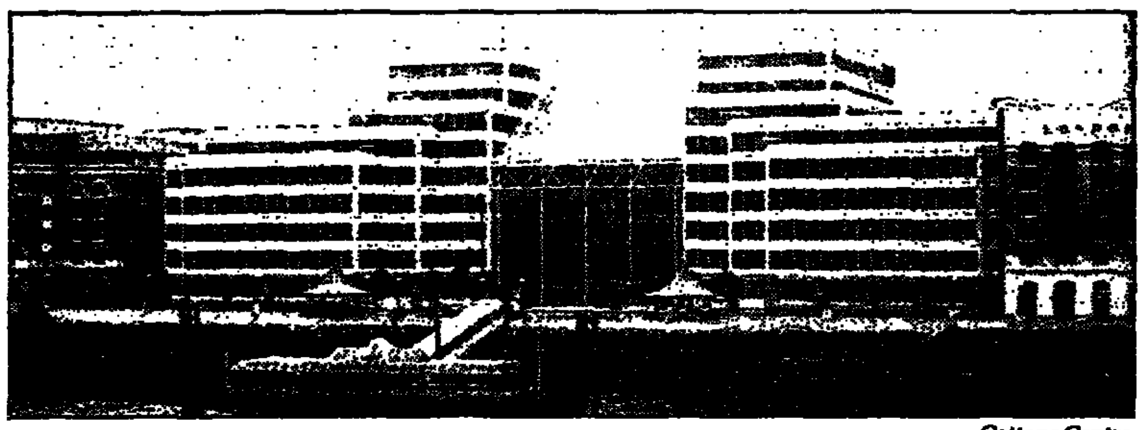
In addition to salary, benefits include status car, preferential mortgage, non-contributory pension scheme and, where appropriate, relocation assistance.

Applications in writing enclosing a full C.V. including details of present remuneration should be sent to:

**Roy Bentley,
Development & Training Manager,
TSB England & Wales plc,
100 Lower Thames Street,
London EC3R 6AQ.**

TSB BANK

GENERAL MANAGER UK



Cottons Centre

Asset Based Finance

CIBC is a major Canadian bank with a well-established reputation in London. We are committed to furthering our operations here and, encouraged by an extended period of growth, have recently formed a new Asset Based Finance Group for the UK and Europe. We are now seeking a General Manager to lead, co-ordinate and promote the group within the UK, reporting to the Managing *Director.*

This is a role with a strong marketing bias, demanding extensive, broad-based corporate sector experience at a senior level.

Initially, we propose to target our penetration of the market within the *Leasing, Hire Purchase* and Commercial Finance areas. Small, highly professional teams will be recruited, each centred towards a particular niche market. A substantial part of the General Manager's brief will be to select, guide, motivate and encourage the activities of these groups.

Along with entrepreneurial flair and strong leadership qualities, you will be commercially aware and capable of assuming overall responsibility for the financial viability of the UK division. The ability to effectively control this division, achieving estimated profit targets whilst working within realistic budgetary limitations, is essential.

In addition to the excellent base salary, you will also be entitled to a generous range of benefits which include a car, mortgage subsidy and non-*contributory pension scheme.*

If you wish to apply please send your CV together with details of current salary to Alison Fiske, Personnel Officer, Canadian Imperial Bank of Commerce, Cottons Centre, Cottons Lane, London *SE1 2QL. Tel:01-234 6535.*

CIBC Canadian Imperial Bank of Commerce

PRUDENTIAL HOLBORN

HEAD OF UNIT TRUST ADMINISTRATION

To £30,000 p.a. + bonus + benefits. Ilford

Prudential Holborn, a major business within one of the world's largest financial services groups which provides products targetted at "high net worth" individuals, is seeking a Divisional Director-Unit Trust Administration. As a Unit Trust professional you will, no doubt, be aware of the company's growth in this sector, resulting in over ¼ million individual customers and over £1 billion of funds under management.

Reporting to a main board Director in Central London, you will be one of 5 senior managers at the Ilford location. Leading an expanding department of 70+ staff, you will have significant responsibilities encompassing all aspects of Administration. This will include registrations (sales, repurchases and probate), registration *audit and dealing administration – all to the very highest standards,* as the company is committed to industry-leading practices.

The need is for a Manager with significant "hands-on" experience of Unit Trust Administration, including registration, ideally familiar with CUTAS. You must be capable of exploiting the potential of a dedicated in-house computer facility. Experience of product launches is vital, as is the proven ability to manage distributions.

A salary to £30,000 p.a. + bonus reflects the importance of this position. *In addition, the package includes a company car,* and the full range of valuable financial sector benefits.

If you are a Unit Trust Administration Professional and can rise to the challenge of joining a market leader, then telephone for an initial confidential discussion, or write with a comprehensive C.V. to: *Ken Richmond, Personnel Manager, Prudential Holborn Limited,* 30 Old Burlington Street, London W1X 1LB. Tel: 01-439 3134.

CITY OPPORTUNITIES IN 1988

- □ Credit Analysis
- □ Marketing
- □ Corporate Dealing
- □ Forex Dealing
- □ Investment Analysis
- □ Fund Management

If you offer experience in one of the above areas and are currently considering the options, please contact Susan Milford – Manager, Financial Appointments for an informal discussion.

10 Finsbury Square, London EC2A 1AD
Telephone: 01 256 5041
(out of hours 0483 37480)

Management Personnel
RECRUITMENT SOLUTIONS
LONDON · GUILDFORD · ST. ALBANS · WINDSOR

INVESTMENT / TREASURER MANAGER

City – EC2 Neg £25K

Our client is the UK based subsidiary of a major overseas resource company. They are looking for an Investment/ Treasurer Manager, who has had experience and a proven track record in the investment of funds in international financial markets.

As the successful applicant, you will have specific experience in dealing in foreign exchange, money and equity markets and are likely to have an accounting background with strong administrative skills, with responsibility for the administration related to this position. You will manage an offshore pool of funds for both long and short term investment.

Aged between 28-40, you will operate with a great deal of autonomy, but will liaise closely with the overseas treasury to which you will ultimately be responsible.

All interviews will be held with the client company but in the first instance please telephone Victoria Phillpot, in complete confidence, on

01-405 9126

PLANNED PRE-SELECTION SERVICES

51-53 GRAY'S INN ROAD, LONDON WC1X 8PP

STOCKBROKERS

A small, old established Member Firm is seeking to expand private client and institutional base. Accordingly it is seeking individuals or groups with existing commissions in excess of £100,000 p.a. to join it.

Write Box A0801, Financial Times, 10 Cannon Street, London EC4P 4BY

Top Executives

earning over £25,000 a year

Can you afford to waste over £2,000 a month in delay? Minster Executive specialises in solving the career problems of top executives. The Minster programme, tailored to your individual needs and managed by two or more partners, is your most effective route to those better offers, 75% of which are never advertised.

Our clients have an impressive record of success; many blue chip companies retain our services in the redeployment of their top people.

Telephone or write for a preliminary discussion without obligation—or cost.

MINSTER EXECUTIVE LTD

28 Bolton. Street. London W1Y 8HB. Tel: 01-493 1309 / 1085

TECHNOLOGY

How Coloroll woke up sleepy hollow

Clive Cookson examines the way in which Fogarty's production methods have been transformed following its takeover

A YEAR AGO Coloroll, the rapidly expanding UK home fashion group, sent a small taskforce of executives to Boston in the Lincolnshire fenlands. Their mission was to transform Fogarty, the bed-linen manufacturer Coloroll had just bought for £31m, from a traditional family-run business with a lot of obsolescent equipment into Europe's most modern and efficient producer of home furnishings.

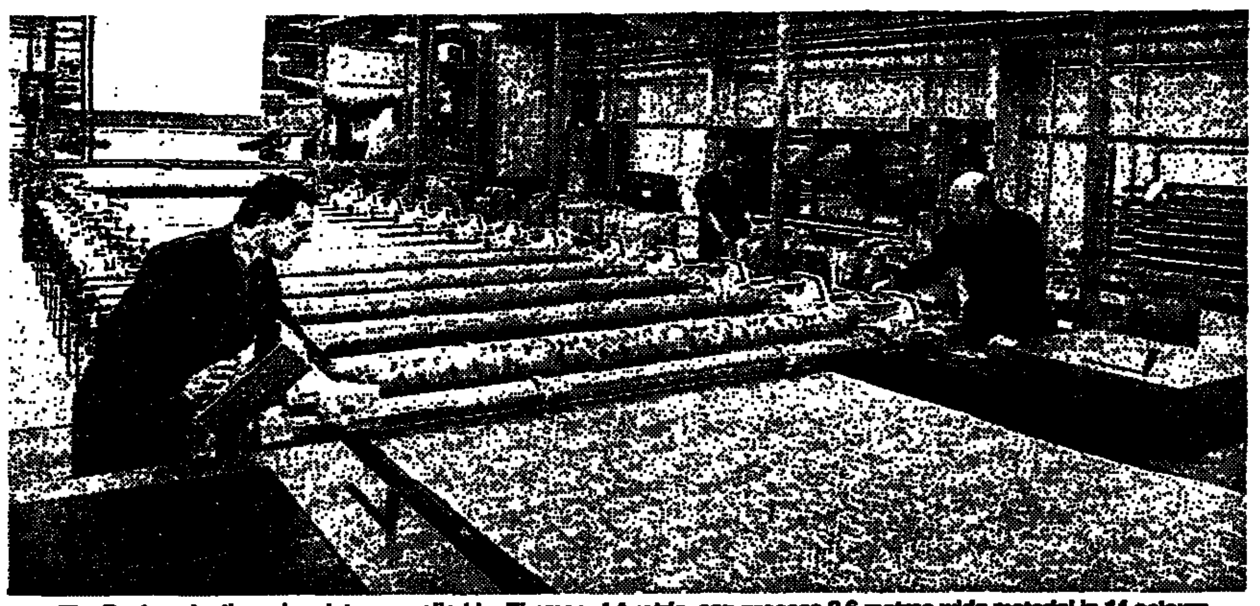
Within a month Coloroll had made 150 of the 1,300 Fogarty workers redundant – including almost the whole senior management – and given up several peripheral activities into which the company had been diversifying. At the same time the new managers decided on a £7.2m investment programme to modernise and expand Fogarty's core business making pillows, duvets and furnishing textiles. The money was spent on four plants:

- £2.5m on a central 3m cu ft computer-controlled warehouse to replace several small warehouses scattered around the town of Boston.
- £2.2m on a new textile printing plant – Fogarty had previously contracted out its printing.
- £1.5m on machinery to wash, dry and purify the chicken and duck feathers which fill Fogarty duvets and pillows.
- £1m on computerised hemming machines to make duvet covers and pillow cases.

Almost all the new machinery is installed and beginning to run, the remaining workers are getting over their Coloroll-shock, and production and profitability are rising quickly. John Gregory, the 30-year-old managing director installed by Coloroll after the takeover, expects Fogarty to make a pre-tax profit for 1987/88 of at least £5m on £58m turnover. That compares with the £2.8m profit forecast by the previous management.

So Coloroll – one of the most image-conscious companies in Britain – is beginning to show off Fogarty as an example of the speed with which it can achieve a technological and financial revolution in the companies it takes over.

Philip Green, the 34-year-old managing director of the Coloroll Group, says the company was able to decide very quickly what equipment to order for Fogarty. "We had the advantage that prior to the acquisition we were thinking of starting a greenfield textile plant in Lancashire, and we had done a detailed feasibility study for that," he says. "For example, we knew that we could not buy a wide width textile printing machine in the UK."



The Boston plant's main printer, supplied by Zimmer of Austria, can process 2.6 metres wide material in 14 colours

In fact none of the major machinery orders went to British manufacturers. Green is quick to point out that Coloroll's policy is buy from UK machinery suppliers wherever possible, and this has been achieved in some of the group's other factories. But the Fogarty plant is being equipped mainly from elsewhere in Europe. German suppliers won the largest share of orders, followed by Austria, Sweden, the Netherlands, Italy and Belgium.

In strategic terms, the most important part of the investment is the new printing plant, which will enable Coloroll to produce a wide range of own-label fabric designs for major retail chains.

The main printer is a £650,000 rotary screen machine from Zimmer of Austria. This can print materials 2.6 metres wide in 14 separate colours. It uses the "magnet roll rod system" invented by Zimmer about 20 years ago. A magnetic bar pushes coloured paste onto the fabric through tiny holes in a rotating nickel cylinder.

"The printer is not a new design, but we decided to go for the most tried and tested system," says Kevin Smithbone, the printing plant manager. Although Zimmer's main patent expires this year and other manufacturers are bringing out similar printers, Coloroll did not want to take any risks with an important piece of machinery.

On the other hand Fogarty is acting as a guinea pig for an entirely new "colour kitchen" developed by Van Wyk Industrial Products of the Netherlands. This is where dyes (supplied by BASF of West Germany) are mixed for the printing plant.

Smithbone says Coloroll bought the prototype colour kitchen made by Van Wyk for the recent ITMA international textiles exhibition in Paris. (And they got it for £220,000, compared with the £350,000 or so that future customers will have to pay.) He says it is far more compact, faster and more accurate at matching shades than competing colour kitchens.

On the Van Wyk system the valves which drop dye into the colour mixer are lifted by a new computer-controlled stepping motor. The valves can be in any of 40 positions, accurate to within five thousandths of a millimetre. This enables the operator to control the amount of each dye in a particular colour to within one gram in 120 kilograms. "The computer spent a day teaching itself how to work," Smithbone says admiringly. "It learned the tolerances of the system and the exact weight of each drop."

Other major pieces of equipment in the printing works include a "festoon baker" made by Arioli of Italy, where the cloth is heated to fix the colours after printing, and a "calender" from Ramisch of West Germany, which irons the cloth. The latter arrived four weeks late, and Paul Edwards, the textiles production manager, says Ramisch "is the only company which let us down on delivery dates."

Most of the £1m investment in the hemming plant has been spent on three computer-controlled hemming machines manufactured by Akab of Sweden. One makes pillow cases, the second duvet cases and the third unlined curtains. Each runs 24 hours per day under the supervision of one operator per shift and altogether they have replaced about 40 workers.

"Akab was the easier choice of all our suppliers," Edwards says. The Swedish company had proved the reliability of its machines and the excellence of its technical back-up and after-sales service, by becoming the largest supplier of computerised sewing equipment in the US. For example, the American textile giant J.P. Stevens has eight Akabs.

But more complicated sewing operations will continue to be done in the traditional way by women sitting at tables. Coloroll is speeding up their work by installing a GerberMover system from the US. This moves textiles around the factory on an overhead conveyor. A supervisor controls the system from a central computer, and each worker has a terminal at her table which records exactly how much work she has done.

"The operator should increase her productive time by at least 15 per cent, because she will not have to get up to get new supplies," says Noelyn Sharp, the hemming plant manager.

Elaine Smith, one of her supervisors, went to see the GerberMover in action in the US. "With the little computers the girls can see how they're performing, which must be an incentive," she says. "Any bottlenecks or problems that come up can be solved straightaway. And it makes it impossible to cheat." With the traditional manual recording system dishonest workers can exaggerate the amount of work they have done.

The GerberMover is now being installed and will be switched on next month. It will then become clear how keen the Fogarty workforce are on computer supervision of their work.

The £1.5m modernisation of the feather purifying plant is based on equipment from L.H. Lorch of West Germany. Every day the feathers from 270,000 chickens and ducks will be washed, dried, purified and stuffed into pillows and duvets – untouched by human hand.

"We lost a whole generation of machines," says Paul Dinning, the feather plant manager. "We didn't modernise when we should have 20 years ago, and our oldest driers date back to 1926." He says the number of men washing and drying feathers will be cut from 47 to nine when the L.H. Lorch equipment begins running this year; the remaining 38 workers will be redeployed elsewhere in the factory.

On the whole morale among the Fogarty workforce seems to be recovering, now that the talk has turned from redundancies to expansion. But there is still considerable scepticism about the "Coloroll culture".

(On the day of my visit "How Are We Doing?" performance boards were going up all over the factory. And the workers were delighted to see that each board had a spelling mistake in huge letters: CUMALATIVE for cumulative. So the first idea on the area set aside for suggestions was that the management should learn to spell.)

The scornful way in which John Gregory, the new managing director, talks about the "old regime" and its "feudal" management style irritates some of the older staff, who remember the former owners, the Fleet family, with some respect. But almost everyone seems to admire the speed with which Coloroll modernised the factory.

The company is now talking about investing £3m more in the printing plant and starting to manufacture towels and upholstery. The target is to increase annual turnover by 50 per cent over the next two or three years. But Coloroll does not want to throw off Fogarty's sleepy image entirely: bed-linens, pillows and duvets will remain at the heart of its product range.

WORTH WATCHING

Edited by Geoffrey Charlish

Racal secures transfer of funds

RACAL-GUARDATA of Fleet, Hampshire, has developed a secure electronic device that will verify the authenticity of money transfers between branches of one of the UK's high street banks. Racal cannot yet name the bank but the device, called Portable Authenticator RGL 250, is expected to be in use within six months.

At the moment money transfers involve an encrypted message, derived from a code book, which is sent (by telex for example) along with the amount, account numbers and the signature codes of two bank authorising officers. At the other end, an identical book is used to verify the transfer.

Racal's RGL 250 is a battery-powered hand-held unit with a small screen and a keyboard on which similar information is entered, whereupon the unit generates a unique message authentication code (MAC).

When the receiving operator reads this off the telex machine, he enters it all on his RG 250. This will interpret both MAC and the data and will only show "OK" on the screen if no corruption or alteration has taken place between the two ends of the link.

Police find new material evidence

POLICE FORCES in the UK are starting to use a fingerprinting method that enables them to see prints made on substances that normally yield poor results. Examples are polyethylene bags, leather, photographic prints and negatives.

Developed by the Home Office, the technique uses a vacuum metalliser from Edwards High Vacuum of Crawley in the UK. This is a device in which metals are vapourised and then coat "target" surfaces in a vacuum chamber.

For the fingerprints, gold is first deposited, followed by zinc. The very thin gold layer is absorbed by the ridges of human perspiration that form the latent fingerprint pattern. Zinc will generally only condense on to another metal and in this case only adheres to the unabsorbed gold layers between the ridges.

The visible pattern is quickly photographed before the zinc oxidises and becomes less opaque. Police centres in London, Winchester, Glasgow and Belfast have, or soon will have, installed the system.

Electronics weigh in with circular dial

FOR WEIGHING machines, UK company Darenth has devised an electronic display system that replicates the traditional circular dial and pointer by using microprocessors and light emitting diodes (LED).

A 360mm (14in) diameter ring of LEDs forms the analogue scale, giving the effect of a continuous strip of light. The exact weight is displayed on a central numerical display. Thus the user has the advantage of visible figures and the "feel" of the analogue pointer moving between zero and full load over nearly 360 degrees.

Barclaycard moves to optical storage

THE LATEST important user of optical recording in the UK is Barclaycard, at its Northampton headquarters. A system from Surrey company CACL (Computer and Aerospace Components) was installed in conjunction with Telephone Rentals, and is in use for recording up to 2,000 telexes daily.

CACL believes many large corporations have problems with storing and finding telexes.

With CACL's system, the text of all telexes sent and received goes straight on to optical disc, character by character and without being printed, so that an exact replica is kept. The messages are automatically indexed and can be retrieved and seen on a screen in a few seconds, or printed out.

CONTACTS: Racal-Guardata: UK, 0252 622144. Edwards High Vacuum: UK, 0293 28844. Darenth: London, 310 2244. CACL: London, 397 5311.

Assistant Syndicate Manager
Eurobond Syndications

We are the Capital Markets arm of a leading International Banking Group. We require a Manager to provide essential back-up to the Director responsible for New Issue Syndication and to manage the department in his absence on overseas business. Responsibilities will include pricing, syndication, assessing risk management of New Issue positions and liaison with secondary Sales, Trading and Corporate Finance.

The successful candidate will demonstrate commercial awareness, be technically assured with a proven track record within a similar environment and will be able to work on their own initiative with a confident approach.

Competitive salary, bonus and normal banking benefits.

Please send your C.V. to:

Box A0798, Financial Times, 10 Cannon Street, London EC4P 4BY

BANKING & SECURITIES OPPORTUNITIES

EUROPEAN TRADER — **Salary negotiable**
Internationally known securities house seeks very experienced and successful euroyen trader.

BOND SALES, ITALIAN SPEAKER — to £45,000 p.a.
Well known international bank seeks experienced bond salesperson with minimum of 2 years' experience covering the Italian sector. Spoken Italian is essential.

BOND SALES, MIDDLE EASTER SECTOR — 20s — £35-40,000 p.a.
Respected house seeks bond sales person with 3 years experience of selling to Middle East, Japanese Government Bonds, euro double straights, and yen issues.

UK MARKETING OFFICER MANCHESTER — Under 35 — Salary £25,000 p.a. or higher
Well-known international bank seeks graduate marketing officer to be based in Manchester to cover Birmingham and Midlands. A full range of products is marketed across the board. This bank has a well-respected name in the market.

CORPORATE DEALER — Max age 25 — c£25,000 p.a.
International bank with active dealing room seeks young corporate dealer with two or more years' experience.

HEAD OF ACCOUNTS — 20s — Salary range £20-25,000 p.a.
Gilt trading sector of leading market makers seeks a head of accounts. A gilt accounting background would be ideal but securities experience is essential.

Please speak with Elizabeth Hayford on 377-5040 or write to:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

MERGERS & ACQUISITIONS
c.£30,000

A primary UK Merchant Bank offers an exceptional opportunity for an enthusiastic person with marketing flair and strong analytical skills, to join their expanding M & A team.

Their clients range from small to major public quoted companies and the role will focus on the following:

- Detailed acquisition searches
- Project work for UK companies
- New business development
- Advisory work for existing clients.

The successful candidate, aged 24-28, will be a graduate with analytical experience gained through a similar role in investment banking or industry.

For further information please contact: Carolyn Obbard or Sara Bonsey.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

CAPITAL FUTURES
RECRUITMENT CONSULTANTS

Chartered Secretary
Merchant Bank

Our clients, a prestigious Merchant Bank in the City, seek a Chartered Secretary, preferably 25–35, to assist in the Company Secretary's office. This important role involves a range of Secretarial functions with the emphasis on personnel administration and recruitment, therefore previous practical experience in a personnel function is essential. An excellent salary, mortgage subsidy and all the usual banking benefits will make up the package.

Please telephone or write direct to Mike Pope, Managing Director, Mike Pope Limited, Bank Chambers, 214 Bishopsgate, London, EC2M 4PT. Telephone: 01–247 8314

Mike Pope & David Patten Partnership
Banking Recruitment Consultants

MANAGING DIRECTOR
Cradley Heath/West Midlands
c £35k + Bonus + Car + Share Option

An old established £5m turnover, clothing manufacturer (predominatly overcoats) seeks and individual to take full profit and operational responsibility to develop and maximise the considerable potential.

Experience in textiles is desirable though not essential since the main requirements are drive, commitment and the entrepreneurial ability to succeed.

An excellent remuneration package is available. Send applications, supported by a C/V to:

M A Hunt, Wellington House, 31/34 Waterloo Street, Birmingham B2 5TJ

Corporate Finance
Assistant Director
Substantial package — Midlands

Lead role obtaining and executing corporate finance transactions in the established regional office of a well known merchant bank.

THE COMPANY
◇ A publicly quoted British Merchant Bank. Headquartered in London with six successful regional offices.
◇ Offices operate independently, obtaining and transacting corporate finance and other business.

THE POSITION
◇ Based in Nottingham or Birmingham.
◇ Responsible for obtaining and handling a broad range of corporate finance transactions including mergers, acquisitions, flotations, new issues, and corporate restructuring.
◇ Substantial independence and wide ranging responsibilities.

QUALIFICATIONS
◇ Corporate finance experience ideally with a merchant bank or with a stock broker, accountancy or law firm.
◇ Graduate, with professional qualification or an MBA. Aged 30-37 preferably.
◇ Good inter-personal skills, ability to work independently, and entrepreneurial flair are essential.

COMPENSATION
◇ Excellent base salary and fringe benefits.
◇ Significant profit related bonus and stock options, following trial period.

N·B SELECTION LTD

Please reply quoting Reference G0103 to:
37 Dover Street, London W1X 3RB

NMB BANK
Trade Finance

NMB Bank seeks a banker experienced in medium/long-term trade finance to join a London team engaged in trade and commodity finance. The Bank is active in the major centres of Europe and the USA, South America and Asia in supplying export credit, project finance (including energy), forfaiting and short-term trade finance.

You are aged between 27 and 35, with a minimum of 6 years international banking experience, having obtained relevant professional qualifications and languages expertise. Your capacity to generate and administer profitable business opportunities is proven and you possess the motivation and organisational skills to achieve success outside of the cocoon of a large bureaucracy. You possess demonstrable business capacity in several of the following areas: national export credit schemes; pre and post finance of raw materials and finished goods; development aid and specialist insurance schemes. Some exposure to project finance, countertrade and forfaiting may be relevant. Specialist knowledge of a particular geographical sector would be an advantage.

The remuneration package will reflect the skills and strengths of the chosen candidate. The post offers considerable scope for identifiable personal achievement in a successful organisation committed to the development of the trade finance sector.

Applications, including cv and current remuneration, to:
Mrs. Janice Wilson, NMB Bank, 2 Copthall Avenue, London EC2R 7BD.

German Bonds
Karrierestart für Hochschulabsolventen

Major International Bank
London Base

This is an exciting opportunity for an *ambitious graduate to join the investment* banking arm of a major international bank.

Working in a bond dealing environment, you will need to be self motivated with the initiative, drive and confidence to succeed in this competitive area, which offers excellent potential.

Previous experience is not necessary, but you should have a degree and a high level of numeracy, be in your mid/late 20's and fluent in both German and English.

An attractive salary and benefits *package will be offered and relocation* assistance will be provided. Initial interviews will be conducted in both London and Frankfurt.

Please apply in English with your curriculum vitae, quoting reference number MCS/4017 to Miles Holford
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Use your Financial Expertise to Promote ours

Sales Manager

c.£28k + Bonuses + Car — *Richmond, Surrey*

FinansSkandis (UK) Ltd, a part of Scandinavia's largest banking institution was established in this country last year. Having successfully brought our particular expertise to the UK market, we are now seeking a Sales Manager, a banking professional of high calibre, to further promote our activities.

You will be responsible for marketing a full range of our financial services to corporate clients - primarily outlets of Scandinavian organisations.

Fluency in Swedish is essential, as is a thorough knowledge of the Scandinavian banking system. Aged in your early thirties, you should have obtained a degree in a business related discipline, and have recent experience of a management role with international responsibilities.

Included in our range of benefits are relocation expenses and/or mortgage facilities where appropriate.

Please write, enclosing a full cv to: Victoria Fielding, PER, Rex House, 4-12 Regent Street, London SW1Y 4PP.

PER
Britain's Largest Executive Recruitment Consultancy

Financial Controller
Middle East Bank
c£60,000 + Housing and Benefits. Tax Free

Opportunity for an experienced banking controller to fill an important and interesting position whilst earning substantial capital before retirement

OUR CLIENT
◇ The oldest, largest and most internationally diversified bank in its country of origin.
◇ Global participation in all the major money centres.
◇ Well known for the professionalism and sophistication of its management.

THE POSITION
◇ Reporting to the Chief General Manager.
◇ Responsible for all accounting and financial control matters.
◇ Providing tax and accounting advice to parent company and overseas subsidiaries.
◇ Supervision of regulatory and internal management returns.
◇ Management responsibility for over 40 staff.

QUALIFICATIONS
◇ A qualified accountant, ideally with a degree, with controllership experience in an American, or possibly British international bank.
◇ Broad bank accounting and systems development experience. Understanding of foreign exchange and treasury accounting functions.
◇ Overseas, ideally Middle Eastern experience preferred. Willing to travel.
◇ Good inter-personal, leadership and training skills.
◇ Age–over 40.

COMPENSATION
◇ Two year renewable contract. Base salary, guaranteed bonus, housing, car and other fringe benefits. All tax free.

N·B SELECTION LTD

Please reply quoting Reference G0210 to:
37 Dover Street, London W1X 3RB

Senior Trust Officers

Cititrust (Bahamas) Ltd. requires Senior Trust Officers experienced in the administration of personal trusts and private investment companies in various jurisdictions. Experience in marketing, with substantial client contact, excellent communication skills and a successful record of developing new business are essential. Language skills, either Spanish or Chinese, or a knowledge of the Asia Pacific region are required and a legal background preferred.

The successful applicants will be based in Nassau, Bahamas for a minimum of five years and will be considered local staff.

Applications should be made in the first instance to: A. Tovil, Citibank N.A., Berkeley Square House, Berkeley Square, London W1X 5LA.

We are an equal opportunity employer.

CITICORP CITIBANK

THE COLLEGE OF LAW
The College Secretary

GUILDFORD — IN EXCESS OF £35,000 + BENEFITS

Applications are invited for the position of College Secretary with the College of Law. The College has four branches and the Secretary will be based at the administration centre at Braboeuf Manor near Guildford.

The College is pre-eminent in the field of legal education and this senior appointment is important to the continuing success of the College.

As well as the formal functions of Secretary to a Chartered body, the duties of the successful applicant will include responsibility for administration, accounting and financial management, personnel matters, buildings and land. In addition, there are wider responsibilities that will enable the Secretary to contribute fully to the College's development.

The successful candidate will probably have a legal or financial background and be able to adopt a sympathetic but effective approach.

Applications with a detailed C.V. should be directed in full confidence to Geoff Lane at Hill Vellacott, Chartered Accountants, Hanging Sword House, 21 Whitefriars Street, London EC4Y 8AL.

International Appointments

DEVELOPMENT MANAGERS

Financial Services

N. Home Counties   From £30,000 + exec. car & share options

Our clients are a rapidly expanding and highly successful group in the life assurance and pensions market, offering a wide range of financial services. They are based close to the M25. They already have substantial institutional support and intend to seek a public flotation. Backed by a sales force of over 3,000 operating through more than 100 branches throughout the UK, there is enormous scope for the development of existing and new products to meet growing market demand. The main board development director, to whom these positions will report, now seeks three additional experienced managers to join his team.

DEVELOPMENT MANAGER – INVESTMENTS

This area of life single premiums is already writing business at a rate in excess of £100 million per annum and the volume is more than doubling annually. Existing investment bonds and specific funds need on-going development together with the introduction of new investment vehicles such as unit trusts and PEP's, designed to meet market and fiscal trends. The manager will need good tax and legal knowledge and a strong interest in the investment scene. It is envisaged that there will be regular contact with investment managers and sales consultants. Reference 3808/4/L.

DEVELOPMENT MANAGER – PENSIONS

The Group has achieved rapid growth in the important area of money purchase, corporate and personal pensions business and has a number of products designed to capture a large part of the new pensions scenario for 1988. There is a need at a senior level to research, develop and introduce new products to meet changing pensions policies and to offer a wide choice, tailor made for different needs. This post would suit an experienced pensions manager from a well run life office. Reference 3808/5/L.

DEVELOPMENT MANAGER – LENDING

The group already writes policies to cover mortgage loans of £800m a year and is keen to develop further its range of business related to first and second mortgages, school fees and other long term secured or unsecured loans. The group has recently developed its own mortgage lending and in due course may consider loan securitisation. This post will involve regular contact with various financial institutions and would suit someone with extensive mortgage experience probably gained with a large broker. Reference 3808/6/L.

The group is seeking candidates who have, in addition to the required product knowledge, a real flair for product packaging and a strong marketing instinct. They will form part of a small, high profile division and will operate as a team with appropriate staff support. They must have a positive desire to help maintain the momentum for growth of the group, and grow with it themselves. The salary will be negotiable from £30,000 p.a. plus executive car and share options. The group has very ambitious plans for continued rapid growth; only those who can meet their highly demanding standards should apply.

Please write in confidence, with full career details and quoting the appropriate reference, to John W Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Investment Marketing Manager

Middle East Funds

£ Negotiable + Attractive Benefits

Our client is a well-established London bank which has built a strong position as a leading manager of Middle East-based international investment portfolios.

In order to gain further institutional investment business in the Middle East market, the bank now seeks to appoint a person to develop and implement high-level marketing and sales plans. This person will be based in London but will travel extensively visiting existing and prospective major investment clients.

The person sought will have extensive experience of the management and marketing of international investment portfolios for Middle East clients. A sound knowledge of the international fixed income markets is essential, and an ability to speak Arabic highly desirable.

This is an exceptional opportunity to contribute to the further growth of a successful investment business. Salary will be supplemented by an incentive bonus arrangement and an attractive benefits package including a subsidised mortgage and a non-contributory pension.

If you wish to be considered for this position, please write – in confidence – enclosing a CV, to Douglas Austin, ref B.7026.

MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe the Americas, Australasia and Asia Pacific

MSL International

DIRECTOR

European Telecommunications Standards Institute (ETSI)

Substantial salary + benefits

The ETSI is being set up as an autonomous body to create common technical standards in the field of telecommunications throughout Europe. It brings together Governments, network operators, industry, users and research bodies. It will focus and co-ordinate their expertise and resources to develop harmonised technical standards. This will enhance the efficiency of communications across European industry, and bring obvious economic benefits for the future.

The appointment of a high-calibre Director is crucial to the success of this historic initiative.

We are looking for an exceptional individual: someone who can co-ordinate a constantly changing group of technical experts; negotiate at the highest levels with government departments, public telecommunications operators and manufacturers; someone who has the experience and the ability to turn the vision of a united Europe into a working reality.

A broad technical grasp of the telecommunications industry, and an appreciation of international standards-making processes, are both essential.

The substantial salary will be supported by an impressive benefits package which includes allowances for housing, school fees, pension and relocation. The position will be based at Sophia Antipolis, near Nice, France.

The formal appointment is to be made by the General Assembly of the ETSI. In preparation for this, a short-list is being drawn up. Please send your curriculum vitae by 26 February 1988, with a single-page summary of your qualifications for this role to: The Chairman, CEPT Telecommunications Commission, British Telecom International, BTI/10, 120 Holborn, London EC1N 2TE, United Kingdom.

KENYA EQUITY CAPITAL

Managing Director and Deputy Director of Nairobi-based equity finance fund, co-managed by Equator Advisory Services Ltd. (subsidiary of Hongkong and Shanghai Bank Group) and industry, agriculture and other sectors in Kenya. Seek energetic candidates with venture capital track record and prior Kenya experience. Attractive compensation package, tax-free, including share of earnings.

Sens C.V. to Equator Bank Ltd., 7a Devonshire Square, London EC2M 4HN or IRG, 1015 18th St., N.W., Suite 802, Washington, D.C. 20036.

IRG

FINANCIAL MANAGER - MINING INDUSTRY

A multinational company has an immediate vacancy for an experienced Financial Manager in its mining subsidiary in West Africa. The position is highly visable with full management financial reporting responsibility for this subsidiary.

This is a new position which will require the incumbent to review current information collection and reporting systems, recommend new or revised systems and be responsible for their implementation.

The objectives are to achieve an intergrated financial, cost and management accounting system and the production of reports and information for local and parent company mangement on a timely basis.

Strong emphasis is to be placed on budgetary control, product costing and departmental accountability for utilisation of resources.

The company uses in-house Wang computer systems. The successful applicant is likely to have wide experience in both financial and management accountancy in multi-currency systems, be innovative, self driven, and have a strong but tactful personality. Experience in a mining background would be an advantage.

An attractive salary package and conditions will be discussed with each candidate at the final interview and will be commensurate with the responsibility of the position and the experience demonstrated. Initial contracts are for two years with standard probation and notice clauses.

Excellent living conditions are available in a 60 family senior staff compound. Facilities include three tennis courts, squash court, nine-hole golf course, swimming pools (adult and children's), gymnasium with exercise equipment, active Hash House Harriers Club, billiard table, bowling alley, video hall, library and club. A three-teacher school caters for children aged 5 to 12 years.

Interested persons are requested to submit, in strictest confidence, a comprehensive curriculum vitae of their experience, qualifications and personal details. If possible include phone numbers for both personal contact and for relevant referees. Submissions should be sent to:

Ann Parry, Berisford Wing
1 Prescot Street, London E1 8AY

UNITED OVERSEAS BANK
GENEVE Banque Unie pour les Pays d'Outre-Mer
11, Quai des Bergues · Case postale 900 · 1211 Genève 1

UOB

We are looking for an experienced

FX DEALER ARBITRAGE

preferably Swiss national between 26 and 32 years, good command of French, English, German.

Candidates should send detailed CV to the staff manager or contact Mr. Martin SCHEIM, Vice-President, (phone 31.98.41 - extension 2472)

International Banking...

CREDIT MANAGEMENT – N. Africa

Our Client, an expanding international bank based in North Africa, now requires an experienced banker to manage a credit function ranging from risk analysis to loans administration, including control/remedial aspects.

Candidates should have acquired broad credit experience, a particular need being expertise in pursuing contentious cases, and should be used to actively leading a department. Some facility in French would be an advantage.

Commencing salary will reflect the responsibility assumed and the benefits package will incorporate the features normally appropriate to an overseas position. A two year *tour is proposed initially.*

Applications will be treated in strict confidence. Please forward relevant personal data, indicating how each requirement is met, to Paul Smith, quoting reference ME22.

PSMITH ASSOCIATES
Personnel Management Consultants
32 High Street, Hoddesdon, Herts EN11 8BS.

MEIKO EUROPE LIMITED

Japanese Securities Sales
Euro Bond Traders

Challenging positions offered to the qualified persons with at least two years experience. Your enthusiasm and peformances will be rightly rewarded.

Meiko Europe Ltd is a subsidiary of Meiko Securities Co Ltd, a member company of Sumitomo Group and one of the fastest growing securities companies in Japan.

Please send CV to: Mr Eigo Kudo, President & Managing Director, Meiko Europe Limited, 5th Floor, 2 Honey Lane, (off 107 Cheapside) London EC2V 8BT Telephone: 01-600 0290

UNIVERSITY OF CAMBRIDGE

Director of Estate Management and Building Service

Applications are invited for this post which carries *responsibility for the management of the University's estates and for* the maintenance and construction of is buildings. Candidates must have appropriate technical qualifications or experience. University stipends are under review and it is expected that the pensionable stipend will be £28,570 from 1 March 1988. Further information may be obtained from the Registrary, University Registry, The Old Schools, Cambridge, CB2 1TN, to whom applications including the names of three referees should be sent by 26 February 1988.

International Investment Marketing Company

Requires Successful Marketing Executives with access to institutions and high networth clients in UK and abroad to market some of 1987's most successful funds. Commission only basis initially could lead to permanent position later.

Replies to Box A0800, Financial Times, 10 Cannon Street, London EC4P 4BY

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday
for further information call 01-248 8000

Tessa Taylor ext 3351
Deirdre Venables ext 4177
Paul Maravigila ext 4676
Elizabeth Rowan ext 3456

Appointments Wanted

Swiss national just retired managing director of multinational trading company looking for

NON EXECUTIVE DIRECTORSHIP

with well established companies located in Switzerland or any French/English speaking countries.

Please write to Box A0802, Financial Times, 10 Cannon Street, London EC4P 4BY

RANK XEROX

Credit Manager

Highly Attractive Salary
London

Rank Xerox, market leaders in reprographic and office systems products, are currently seeking a Credit Manager for one of our marketing divisions selling into Eastern Europe, Africa, India and South East Asia.

Reporting to the Customer Administration Manager - and leading a team of three Credit Controllers - the key responsibilities include: accomplishment of cash collections, DSO and aged debt targets; strict adherence to reporting timetables, both internal and to Headquarters, and close involvement in the annual planning processes; full involvement in the functional requirements of a totally integrated management business system to be introduced this year; improvement of operating disciplines in the receivables management function and further development of a procedures manual.

You should ideally be aged 30-40, have ICM membership and be a proven manager with excellent communication skills. You should also be analytical, dynamic and able to handle work effectively in a highly pressurised environment. Experience in exporting into the above territories would be a distinct advantage.

A confident forecast of continued growth within this division offers excellent career prospects for high calibre candidates.

In return, you will enjoy a highly attractive salary and benefits commensurate with a successful multi-national organisation.

Please send CV including details of current remuneration to Gloria McLean, Personnel Manager, Rank Xerox Limited, 14-16 Westbourne Grove, London W2 5RH.

Rank Xerox Office Systems
Changing the pace of your career

SENIOR BANK MARKETING APPOINTMENT

UK CORPORATE MARKETING
Max age 40 Max Salary £35,000 p.a.

An international bank of very high calibre seeks senior graduate UK corporate marketing manager. A very active and successful team already exists and the person sought will lead this and personally deal withe clients in the top 200/300 UK corporate bracket. A whole range of commercial banking and capital market products will be covered. This is a very progressive bank continuing with its planned expansion programme and the person sought will be a dedicated professional.

Please speak with Elizabeth Hayford on 377-5040 or write to:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

INVESTMENT ANALYST

A private international investment company has a London subsidiary, a Member Firm of The Stock Exchange, which is looking to recruit an Executive with at least eight years' experience of the securities markets. The applicant should be able to demonstrate a proven track record in the equity market with particular emphasis on the research aspect. The successful candidate will have a good degree and very likely a professional qualification, and should be numerate and able to work under pressure.

A competitive salary and benefits are available and would be negotiated individually.

Please write to Mrs. P. Courtenay,
Deltec Securities (U.K.) Limited,
4 Clifton Street, London EC2A 4BT

TREASURY MANAGER

State Bank of India is the largest Commercial Bank in India and has branches in the important financial centres of the world. London Branch, established in 1921, is the oldest Foreign Branch employing 250 people and there are also four other branches in the United Kingdom. As part of an expansion and reorganisation programme, a new Treasury Department is set up for the UK. We are seeking a Treasury Manager who will report to the General Manager for the UK. Applications are invited from candidates experienced in independently handling treasury functions, managing people and, ideally, should be between 40 and 50 years. He/she will be part of a senior management team and be responsible for the existing Dealing Room, covering foreign exchange and money market operations, able to deal with FRA's/Options and all other money market and foreign exchange instruments, including investments in money market and other capital market instruments. Salary and benefits will be attractive and negotiable.

Send full c.v., in strictest confidence, to:
Mr S H Diggins, Personnel Manager, State Bank of India,
1 Milk Street, London EC2P 2JP

STOCKBROKING & BANKING

SALES (North American)	Top Salaries
Financial Analyst	Negotiable
European Equity Trader	To £35k + perks
UK/Foreign Settlements	Up to £35k + Benefits
Rights	£8k-£20k
Transfers	£8,500-£30,000
Dividends	To £20,000 + perks
Eurobond Sales	Negotiable
Contracts/Checking	£9,000-£23,000
Clients &/or Jobbers ledgers	£9,000-£25,000 aae
Accounts (securities)	To £25,000 + benefits
Dealers/Sales/Traders	Very negotiable
Nominees/Safe Custody	£12k-£20k
Valuations	To £16,000 + benefits

If you are interested in any of the above or have other stockbroking experience, please call Cambridge Appointments on 01-377 8488. Or send your cv to:— Cambridge Appointments, 232 Shoreditch High Street, London E1 6PJ.

SUCCESSFUL JOB SEARCH

ARE YOU A SENIOR EXECUTIVE SEEKING A NEW APPOINTMENT?

We are the professionals who can advise and help you. *Since 1980,* Connaught's executive clients have accessed unadvertised vacancies, obtained interviews, found the right jobs and reduced job search time.

Contact us for an exploratory meeting. It is without charge and we will tell you if we can help and at what cost; it may be easier than you think. If you *are currently abroad,* enquire about our Executive Expat Service.

32 Savile Row, London W1X 1AG
Tel: 01-734 3879 (24 hours)

Connaught

FINANCE EXECUTIVE – LONDON

BUILD ON YOUR ASSET FINANCING EXPERIENCE

To stay at the forefront of worldwide communications today requires the development and proper exploitation of frontier technology, deploying the very latest earth stations, satellites, fibre optics, submarine cables etc, all controlled by specially designed state-of-the-art computing systems. These form the core of our assets. The function of financing these assets is a major task – both in size and complexity.

Within the world of high technology, few companies can match the breadth and depth of Cable & Wireless. In no less than forty five countries, worldwide, the Cable & Wireless Group is the clear leader in national and international communications.

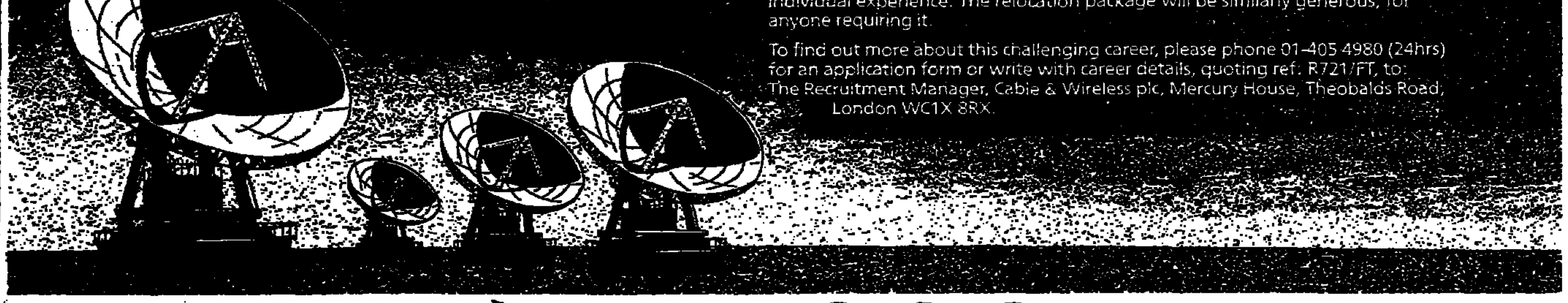
We are now looking for an additional person to join our existing professional team. You could possibly be working currently in a banking environment or for a multi national of similar status. The person we are looking for will have a strong personality and have an attention to detail that will enable them to 'argue their case' at the highest levels. You must be able to communicate effectively, both within and outside the Group, as you will be heavily involved in the decision making process to obtain the most cost-effective financing for major capital expenditure.

You should be familiar with a broad range of asset-based financing techniques. You will have some experience in their applications and capital markets, commercial paper programmes and aid support programmes worldwide.

You should have an honours degree or business degree specialising in finance, whilst an MBA, ACT, or recognised banking qualification, would be an advantage. As you would expect, the job involves the use of computer based systems, so a familiarity with P.C's is important.

The salary and fringe benefits package is open to negotiation, based on your individual experience. The relocation package will be similarly generous, for anyone requiring it.

To find out more about this challenging career, please phone 01-405 4980 (24hrs) for an application form or write with career details, quoting ref: R721/FT, to: The Recruitment Manager, Cable & Wireless plc, Mercury House, Theobalds Road, London WC1X 8RX.



Cable and Wireless
Helps the world communicate

Senior Bank Note Dealer

Central London **c£27,500 p.a. + benefits**

Our client is a major financial services group with an international reputation. A vacancy has arisen for someone with special qualities and ability who is well experienced in all aspects of dealing in international bank notes. The job is profit oriented and carries with it the pressures of working in volatile exchange rate markets.

Essential requirements include a good educational record, communication skills at all levels, a systematic approach, an ability to make quick decisions and deal effectively with corporate customers. You will have had considerable experience as a senior bank note dealer and be able to demonstrate a proven track record of performance.

This is an exciting opportunity for the right candidate – but you must be a "front runner".

If you feel you can match these exacting standards, please write in confidence to C. J. Hooker FCA, enclosing a CV and quoting ref. 419

DBA ASSOCIATES LTD.
Management & Recruitment Consultants,
19 Britton Street,
London EC1M 5NQ.
Tel: (01) 250 0003

Jonathan Wren

SENIOR EXECUTIVE RETAIL BANKING

c£30,000 + banking benefits + car

Servicing the financial requirements of high net worth individuals who use London both as a business and tourist centre forms an integral part of our clients retail banking function.

The individual they seek to fulfil this important role will operate from the luxurious West End offices of this substantial bank and will be an experienced banker aged about 35 years.

The successful applicant will also have a good understanding of the needs of multi-national clients, both operational and personal and excellent man-management skills, together with the flair, imagination and reliability necessary to effect the smooth operation of the job function.

For further information please contact Richard Meredith on 01-623 1266.

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

International *Banking*

OFF BALANCE SHEET TRADER

Our client, one of the Top 20 banks in the world, is committed to an expansion of treasury and foreign exchange dealing activities. A Trader is required to initiate this trading, specifically in Financial Futures, FRA's, Interest Rate Swaps etc.
SALARY: To £30,000 plus bonus

CREDIT ANALYST

The recently opened London branch of an ambitious and progressive European Bank seek an analyst to support the lending operation and undertake a responsible role combining associated functions. Duties will involve analysis, review, liaison and control in respect of both corporate and interbank facilities.
SALARY: c£18,000

ACCOUNT OFFICER

A North American Bank offering a wide range of lending facilities, services and products require a person aged mid 20's — mid 30's for a combination marketing role incorporating client relationships and business development. Candidates will offer appropriate credit training and previous involvement in marketing gained from a U.K. corporate banking background.
SALARY: c£20,000

SENIOR CREDIT ANALYST

A new position within the specialist Corporate team of an established and well regarded European Bank. Candidates aged 30 plus and suitably qualified should offer at least five years experience of preparing full analysis of financial information as well as submitting/substantiating applications for approval. The level of involvement also requires *appropriate organisational and administrative skills.*
SALARY: c£20,000

BANK RECRUITMENT CONSULTANTS.

Gordon Brown

57/59 LONDON WALL,
LONDON EC2M 5TP
TEL: 01 628 7601

Jonathan Wren
Investment Management Division

INVESTMENT MANAGEMENT

Jonathan Wren, the City's leading specialist financial recruitment consultancy, has been approached to assist a number of international investment houses in their search to recruit key individuals.

SENIOR FIXED INTEREST FUND MANAGER **to £50,000 + benefits**

The seniority of this position demands proven success to date in the consistent performance of funds under management. The successful candidate will have a thorough understanding of all fixed interest instruments, with particular emphasis on high quality domestic issues. It is envisaged that applicants will be graduates in their mid 30's, possessing positive communication and managerial skills.

ASSISTANT FIXED INTEREST FUND MANAGERS **£Negotiable**

Applications are invited from candidates, with varying degrees of experience within this specialist sector, to progress upon a positive career path within this market. Knowledge of Lloyds syndication regulations would be an added advantage to a number of major clients.

Please contact Barbara Dabek on 01-623 1266 (daytime) or 01-882 8614 (evenings after 8pm).

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

Personal Pensions Merchant Bank

London and South East North East

£30,000 + basic + bonus + valuable benefits package

1988 will see an enormous expansion in personal pensions business and our client, the investment management subsidiary of one of the most influential names in merchant banking, is gearing up its operation to capitalise on the many opportunities available.

Your brief, as a Regional Pensions Manager, is to develop relationships with Professional Intermediaries; particularly Consulting Actuaries, Benefit Consultants, Solicitors, Accountants and selected brokers whose income derives mainly from fees rather than commission.

Ideally in your 30's, you must be able to demonstrate a successful track record as a Pensions Sales Specialist for a life office or other financial institution selling to intermediaries. A thorough understanding of the investment market would be a distinct advantage.

The comprehensive benefits package includes a generous mortgage subsidy, non-contributory pension, PPP and choice of quality car.

To apply in the strictest of confidence please telephone or write to Fiona Law quoting reference 1100.

FLA
FIONA LAW ASSOCIATES
55/6 St. James's St., London SW1A 1LQ.
Tel: 01-491 3811.

FINANCIAL · SEARCH · AND · SELECTION

RT

RIED, THUNBERG & CO., INC.
"MONETARY AND TECHNICAL PERSPECTIVES"

We are a leading independent group of financial analysts, incorporating both the fundamental and technical perspectives of the U.S. government debt market. Our programme of expansion in Europe requires that we supplement our team in London. Prospective candidates should have a background in fixed income research or practical experience trading or managing a multi-currency portfolio of fixed income instruments. Applications will be treated with the strictest confidence.
Please apply in writing, together with a current C.V. to:
Miss M. Moriarty, 141/142 Fenchurch Street, London EC3M 6BL

ASSISTANT TREASURER
(Capital Markets)
Growth and Opportunity
Neg. salary+car+benefits

For Nationwide Anglia now is a time of tremendous growth and development. A time when our determination to become the most dynamic customer-led financial services group can take rare advantage of the impact of new legislation.

A time when, with the funding book already approaching £3 billion, our plans to broaden its base and diversify into global markets means yet another substantial increase in the short term.

A time when a young professional with good all-round communication skills and 3 years or more senior level experience of the International Capital Markets (ideally in a Corporate Treasury or Bank) can team up with a forward looking organisation. An organisation where opportunities and rewards for those with ambition have never looked so good.

If you are that professional, currently earning around £20,000 pa, aged around 30-35 and ideally a graduate member of the Association of Corporate Treasurers, we'd like to hear from you.

Send a full cv including current salary by 5th February 1988 to: Richard Wharton, Personnel Administration Manager, Nationwide Anglia Building Society, Chesterfield House, 15/19 Bloomsbury Way, London WC1V 6PW.

We are an Equal Opportunities Employer.

Nationwide Anglia Building Society

STOCKBROKERS

Are you suffering from the post crash conditions and the low volumes in the bear market?
Would you like to talk in confidence with an independent member firm about ways of collaborating to reduce costs and improve margins?

Write in confidence to Box A0799, Financial Times, 10 Cannon Street, London EC4P 4BY.

WE CAN TELL YOU WHAT YOU CAN DO!

Our tests of aptitude and interests reveal your strengths and which career will give you most satisfaction. Find out at any age what you really can do.

Free brochure

CAREER ANALYSTS
90 Gloucester Place W.1.
01-935 5452 (24 hrs).

Corporate Leasing To £30,000 Basic + Car

Bonus & Profit Share
Vacs most parts of the UK for market leader.

0903 820770
KP Personnel Agy

AT A CAREER CROSSROADS

We are looking for mature people aged 25-55 with an industrial or professional background to be trained to offer a wide range of financial services to businesses professional intermediaries and individuals. (Income is limited only by your own ability and determination; We offer an attractive benefits package as well as commission).

Telephone Ray Sawyer on 01-404 4028

ATTRACTIVE REMUNERATION

Run your own business. No capital required. Full marketing support.

Kevin Bradley - 01-585 8182

Management buy outs & venture capital professionals

Major equity investor in Management buy outs and venture capital seeks additional ambitious professionals to originate, negotiate and close transactions.

This is an excellent opportunity to join a small successful group within one of the largest and most successful financial organisations. You should be a graduate with an MBA or professional qualification.

Probably in your early 30s, you must possess two or more years' experience of structuring equity/loan investments and acquisitions and be able to generate and close transactions successfully. A knowledge of 123 computer modelling and the ability to present clear, reasoned investment proposals is important.

As a non-executive director of at least one board, you will have the commercial maturity to form long-term relationships with chief executives.

We can promise a full merchant banking package together with attractive company investment opportunities combined with the chance to work in an entrepreneurial and exciting environment.

Please send a brief cv quoting reference C230 to David Woolf, Juniper Woolf & Partners Limited 22 New Concordia Wharf, St. Saviours Dock, Mill Street, London SE1 2BB, together with a covering letter listing any organisations to which you would not wish your application forwarded.

JUNIPER Woolf

RECRUITMENT ADVERTISING SEARCH & SELECTION

International Management Consultancy
Major Opportunities for Young Bankers

We are one of the world's leading, multi-national management consulting companies. This position has been achieved by offering international consulting services of the highest quality to our clients – top management of leading companies and policy makers in government and international institutions.

We now require young bankers with the confidence and ambition to move into consultancy to join our Financial Industries practice.

Prospective candidates – in the age range between 28 and 35 – will have a masters degree, preferably an MBA, and at least 5 years' management experience in a major international bank or financial institution.

Specific knowledge in one or more of the following areas is required:-

* Investment banking and the capital markets;
* Treasury activities and fund management;
* Retail financial services;
* *Corporate planning* in financial institutions;
* Recent legislative changes in financial industries.

The ability to work in one of the major European languages is an important advantage, as is prior overseas experience. The position will be based in our London office and travel within Europe will be required.

A competitive salary package commensurate with age and experience will be negotiated with the successful candidate.

Please send your detailed curriculum vitae to E. H. Lyte, Director of Personnel, Arthur D. Little Ltd., Berkeley Square House, Berkeley Square, London W1X 6[illegible]

Arthur D. Little Ltd.
...MANAGING CHANGE

Global Custody Services
Organise and Develop

The objective of this major international Bank, which recently joined forces with a leading UK investor services company, is pre-eminence in the provision of custody, reporting and value added services to the owners and managers of financial assets worldwide. The strategy will be advanced by accelerating the expansion of Global Custody Services to customers throughout the UK and Europe, from an established corporate base in Edinburgh.

The Bank now wishes to appoint an Advisory Services Manager whose objective will be to ensure the efficient delivery of services to clients. This key responsibility calls for exceptional abilities: a thorough grounding in all aspects of managing securities custody, and first rate organisational, interpersonal and leadership skills.

While age is not a limiting factor it is expected that you will have spent at least 5 years in the securities industry of which the majority will have been in a senior managerial role. Experience of managing major projects in this or related areas, from inception to maturity, will be invaluable.

The terms and conditions for this challenging opportunity are geared to attract candidates of the highest calibre. Please apply with full career details and in strict confidence to Peter Smolka of Cripps, Sears & Partners Ltd., Personnel Management Consultants, Rutland Square House, 12 Rutland Square, Edinburgh EH1 2BB, telephone 031-228 2281 or 01-404 5701.

Cripps, Sears

APPOINTMENTS ADVERTISING

For Further Information
Call 01-248 8000

Tessa Taylor
ext 3351

Deirdre Venables
ext 4177

Patrick Williams
ext 3694

Elizabeth Rowan
ext 3456

Paul Maraviglia
ext 4676

COMPANY SECRETARY

TSW — Television South West Holdings PLC, the independent television contractor for the South West of England is seeking a fully qualified Company Secretary to join their management team in Plymouth.

This important position will involve responsibility for legal, administrative and secretarial matters for the Company and its subsidiaries and will require a high degree of professional and communicative skills. Experience with the way in which Independent Television operates and an understanding of its contractual obligations to the Independent Broadcasting Authority would be an advantage.

The job could be ideally suited to a professionally qualified person who is already engaged as an Assistant Company Secretary or in a legal or contractual department of a broadcasting organisation.

TSW — Television South West offers an outstanding remunerative package for the right person, commensurate with the responsibility this position will carry together with an executive motor car and relocation expenses, etc.

Apply in writing to:
Harry E. Turner,
Managing Director,
TSW — Television South West,
Derry's Cross,
Plymouth PL1 2SP.

TSW — Television South West is an equal opportunity employer.

TSW

Jonathan Wren International Ltd

SENIOR DEALER – GILTS

Our client, a leading Middle East bank based in the Gulf, requires an experienced and strongly motivated gilts trader to augment their expanding treasury desk.

Applicants should ideally be aged 27 to 32 years, educated to degree level and currently located in an active trading room, where the relevant hedging experience will have been gained. The ability to advise and direct subordinates, to maximise profitability, is also required.

An attractive tax-free salary and a comprehensive expatriate package will be offered to the successful applicant.

Interested individuals should contact, in confidence, Brian Jarvis — Senior Consultant, on 01-623 1266.

Jonathan Wren International Ltd
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP. Telephone: 01-623 1266. Fax: 01-626 5258.

International *Banking*

DEALERS

On behalf of a AAA rated Continental Bank, who are currently involved in a planned and exciting extension of its Treasury activities, we are seeking 3 senior Dealers, to undertake key appointments.

FINANCIAL FUTURES DEALER

To trade Eurodollars, Short Sterling, UK Gilts, and US Treasury Bond contracts on the L.I.F.F.E. and Chicago markets.

F.R.A./F.S.A. DEALER

First class dealer with in-depth experience of futures and cash markets to establish dealing in FRA's and F.S.A's.

SPOT GOLD DEALER

Successful dealer, well known in London bullion market, to build up active market making in Spot Gold.

Salaries will be competitive, and a full benefits package, to include a car, will be offered to the chosen candidates.

Interested dealers, who must have demonstrated an ability to make a successful and profitable contribution within an active trading bank, are invited to call Gordon Brown personally, to discuss these positions in complete confidence.

Gordon Brown

INTERNATIONAL EQUITY SALES · EUROBONDS · TRADED OPTIONS · INVESTMENT RESEARCH · EQUITY DEALERS · QUANTITATIVE PORTFOLIO ANALYSIS · FX · FUND MANAGEMENT · CORPORATE FINANCE

The following are a selection of positions we are currently handling for major City institutions.

EUROYEN MARKET MAKER
EURO-EQUITY CONVERTIBLE SALESMEN
PRIVATE CLIENT BROKERS
PHARMACEUTICAL SALES
OIL ANALYSTS
GERMAN EQUITY SALES

Proven expertise and an outstanding track record are prerequisites for the above. Additionally, we welcome approaches from executives who wish to be kept informed of suitable opportunities on a longer term basis.

Please apply in confidence to: JONATHAN HEAD on 01-430 1551/2653 or write Executive Selection Division, 9 Brownlow Street, Holborn, London WC1V 6JD.

DSA

DULCIE SIMPSON APPOINTMENTS · DULCIE SIMPSON APPOINTMENTS

Equity Sales
£80,000 plus

Outstanding opportunity exists within a major International Bank for a person of above average ability to assume responsibility for sales of equities.

Essential qualifications are:—several years experience with a leading broker embracing a broad number of sectors and extensive contacts with institutional clients.

Salary and emoluments will be negotiable with the right person.

Apply in strictest confidence quoting reference E6040 to *Mr. E. HEATH.*

Business Executive & Technical Appointments,
123A Whitehall Court, Whitehall, London S.W.1
Tel: 01-930 3934 and 061-834 2594.

Jonathan Wren
Stockbroking Division

IN THIS CONCERTINA CITY...
... make sure you get it right!

As the oldest and most reputable recruitment consultancy in the City, Jonathan Wren has the expertise, market knowledge and contacts to be of valuable assistance in placing experienced individuals in appointments that ideally complement both career aspirations and financial expectations.

We are currently assisting several prestigious City broking houses in the expansion of their equity research and institutional sales teams.

UK/EUROPEAN INSTITUTIONAL SALES to £100,000

A minimum of one years experience in either specialist or general sales, together with an excellent understanding and appreciation of your market(s). The ability to communicate and sell investment ideas lucidly and effectively to a strong institutional client base, and the commitment to be a top performer within the organisation.

UK/EUROPEAN EQUITY ANALYSTS to £80,000

A minimum of one years experience of specialist sectoral equity research in either the UK or European markets, age range 23 to 38 years, an Extel rating and the desire to be a leader in your chosen sector.

Call Ann Winder on
01-623 1266 (daytime) or 01-466 1025 (evenings),
or alternatively forward a detailed curriculum vitae.

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

Television/Christopher Dunkley

Viewing, NY style

According to the booklet at the reception desk of the Berkshire Place Hotel in midtown Manhattan, every room in their sister hotel in Detroit has two television sets: one in the bathroom. Here in New York the ration is just one per suite. But as you recline on your king-size bed (nearer world-dictator size, actually) with the remote control, you discover that there are 35 channels to zap through, and only three are delivering those Picasso-like distortions which indicate an encrypted signal.

Thus there is a choice of 32 services...assuming you do not want your bill to carry the give-away supplementary charge for watching *Kandyland* or some similar bit of soft-porn from the closed-circuit service. As you begin dipping and diving through the airwaves, pausing for 10 seconds to identify the flavour of each offering, you start to wonder how much truth there might be in the supercilious British claim, that "American cable television means three dozen channels of identical rubbish."

Your thumb zaps out the image of a beaming young woman with a big bust, delicately stroking a nasal spray, and summons a picture of a hunky young man fingering a bottle of cough linctus: He gives way to another man who declares "When you take Tums you're getting extra-strength heartburn medicine!" Zap again and you find yourself with a studio anchorman who says "Our story begins after these important messages" and, without any fade-to-black or the other visual devices demanded by law in Britain to separate programmes from commercials, you are faced by a woman who enthuses "Maximum-strength Sucrets spray lasts twice as long as the other brand!"

Then you get to Channel 26, and this is indeed different. A static camera is pointing at what appears to be an amateur model with a shy grin verging on the sheepish, who is displaying a bizarre grey jumper dotted with various shiny decorations. A voice-over in down-home tones is saying "S'got the boat neck to it, 'n that *sparkly* vinyl and the silver la-*may*. You won't be disappointed, it's so *comfortable* for one, and it's *styled*. That's what I like about my clothing, I don't want to look exactly like my neighbour."

As the voice continues its banalities, numbers tick up on the right hand side of the screen under the legend "Quantity Sold." In seconds they change from 119 to 128. On the left are the words "Retail Price $128" and "BSC Price $52.20," with a 'phone number. This is the Home Shopping Channel, which says it accepts Mastercard, Visa, Diner's Club, American Express, and Discover, or your personal cheque. The channel apparently spends all day and all night selling the sort of goods you find in those little postal catalogues which nowadays fall out of every magazine you buy: cheap jewellery, clothes, musical boxes in the form of ceramic birds' nests, collapsible pic-nic tables, and so on.

If you were trying to parody the supposedly crass commercialism of American television you could hardly invent a more telling example than this. However, if you leave the hotel and walk one block uptown to 53rd Street you find The Museum of Broadcasting, a non-profit organisation founded 13 years ago by William S. Paley, founder-chairman of CBS, and you could not ask for more impressive proof that *some* Americans treat television seriously.

The Museum offers 10,000 television programmes (and 10,000 from radio) which can be shown either in a charming 63-seat cinema or played at 28 custom-built consoles, each with VCR, screen, and headphones for two viewers. These facilities are available not only to broadcasters and the growing army of mass media students but also to the public who can walk in off the street, book a console, and watch any of the programmes on a first-come-first-served basis.

Every day people arrive on the dot of opening time with requests to watch everything from *I Love Lucy* to *The March Of Medicine*. But last week museum director Bob Batscha and his staff had their hands more than usually full because on Wednesday they started the 6-week New York World Television Festival. Twenty seven programmes – dramas, comedies, documentaries – each one an award winner, have been collected from all over the world to be given two or three screenings.

They range from Sweden's healthily iconoclastic revue *The Prise* which, in part, satirises the Nobel shennanigans, and which won the Golden Rose at the Montreaux festival of light entertainment; to West Germany's bleakly realistic but compellingly exciting drama *Close Up* in which a surveillance expert is hoist by his own electronic petard, and which won the Silver Leopard's Eye for TV movies at Locarno. (It was Scottish TV's Gus Macdonald who coined the generic term "Zinc Stoats" for television awards).

But the jewel in the crown of this festival is a retrospective of London Weekend Television's *South Bank Show* which is celebrating its 10th birthday this month. In Britain the occasion has not gone entirely unmarked: LWT itself held a party in London last night, and there have been mentions, even whole articles, in several national newspapers. But it took an American – Mr Batscha – to declare "We had no trouble deciding to focus on the *South Bank Show*, a unique series providing insights in a very special way" and to describe the programme, which has been edited and presented throughout its existence by Melvyn Bragg, as "among the most innovative and exciting in the world."

Melvyn Bragg, whose South Bank Show's 10th anniversary is currently being celebrated at the New York World Television Festival

To mark the opening of the festival Bragg conducted a seminar illustrated by sheafs of clips from the decade of programmes, and no less a figure than Michael Powell (director of *The Red Shoes* and *The Life And Death Of Colonel Blimp* arrived, be-cloaked, from Greenwich Village to listen. Next evening they screened Alan Benson's 1986 *SBS* episode telling "The Andrew Lloyd Webber Story" and – although the whole of New York was besotted with the imminent opening of his *Phantom Of The Opera* – the man himself made time to attend. Next night they showed Kim Evans' "Warhol" programme and a crowd of the artist's friends from the days at "The Factory" including "superstar" Viva and director Paul Morrissey turned up to squeal at themselves and their former guru on screen, before joining in a candlelit dinner in the museum's foyer.

Today the museum is showing Derek Bailey's superb programme from the first year of the series, "Macmillan's Mayerling," tomorrow they screen Geoff Dunlop's portrait of Merce Cunningham and, come February 22, they will have exhibited 42 episodes of the *South Bank Show*. To learn that the 27 programmes which constitute the rest of the festival include six British prize winners ranging from the BBC's drama *Shadowlands* to ITV's *Spitting Image* is to realise just how large a part British television plays on the world stage when quality is the criterion.

So what, you may say, the Museum of Broadcasting can accommodate only small audiences (though they move to bigger premises soon) and where the viewing millions are concerned it is still nostrums for the common cold which count, and the hucksterry of the Home Shopping Channel. That is undeniable, but so is the fact that millions read the Sun and the Daily Mirror while a fraction of the number read this newspaper.

The contempt so often poured upon television for its "umpteen channels of rubbish" is no more sensible than would be a similar undifferentiated attack upon the whole of print. The crucial difference is that so much of the television on offer is obvious to all of us. From next month those Americans who subscribe to the Bravo cable channel (1.3m and rising) will find the *South Bank Show* offered to them regularly, albeit under the title *Bravo Profile*. On February 13, for instance, they will be able to see last week's fascinating *South Bank Show* on Bertolucci, sandwiched between the Enfani Quartet playing Beethoven's Grosse Fuge and Bertrand Tavernier's black comedy *Coup de Torchon*. Even in the USA nobody *makes* you watch the Home Shopping Channel.

Back at the hotel, after another evening of feeling pleased to be British, thanks to London Weekend and the Museum of Broadcasting, the thumb zaps regularly past news readers, throat sprays, Michael Gambon, screeching police cars – just a moment, Michael Gambon? No less. Channel WNET, New York's Public Broadcasting Service, is showing not one but two episodes of *The Singing Detective*.

The only trouble with multi-channel cable systems is that you need a strong thumb and the determination to hunt down what you really want.

Boulez/Festival Hall

Max Loppert

This season the European Broadcasting Union is celebrating its 20th birthday. All the member countries are contributing celebratory concerts (which are being broadcast live to all the member countries); on Monday it was the turn of the BBC, which gave the EBU one of the highlights of its calendar, in the form of a BBC Symphony Orchestra concert conducted by Pierre Boulez.

The reappearance of Boulez on the concert platform would be cause for gladness enough; but on Monday, in addition to conducting music by Schoenberg, Messiaen, and George Benjamin, a task for which he remains uniquely well equipped, he was there to present a Boulez première – or rather, the première of an important and thoroughgoing Boulez revision.

Le Visage nuptial, the cantata for women's voices on poems by René Char, has long been the "missing item" in the Boulez canon. The original version, produced in 1946, was for an odd combination of small forces (including *two* sets of ondes Martenot); in 1953 the composer expanded it for large orchestra, adding a female choir to the contingent of two female soloists, but after its first performance in 1957 it was immediately suppressed – in a genial, inimitably relaxed pre-concert talk Boulez was humorously scathing about his inexperience in both scoring for and conducting a full orchestra.

So Monday's *Visage nuptial* was a confrontation of past and present, a self-re-examination of a kind this composer has regularly undertaken in recent times. (It was not quite a complete confrontation: of the work's five parts, the third is still unready for performance.) The new scoring is of quite thrilling beauty and expressive accuracy, a sustained ravishment of fluttering, trembling, tintinnabulating textures that caress the text and penetrate to its ecstatically erotic essence.

These are, perhaps, unfamiliar terms of description for a Boulez work; but, just as Char's dry yet vibrant images collate a vision of overwhelming sexual passion, so the music cleaves correspondingly close to the subject. The writing for the soprano and mezzo soloists (here Phyllis Bryn-Julson and Elizabeth Laurence, both excellent) twines the voices in thirds, sixths, octaves, and sudden unisons, in all of which an almost Monteverdian sensual rapture is conveyed; when, in the second movement ("Gravité"), the female chorus joins in to increase the effect, the sheer expressive abandon of the music is almost shocking – and all the more so, no doubt, because of the work's intellectual rigour, its essential *pudeur* of means and manners.

As already stated, the full revival of the work is not yet complete – the third movement is evidently the centrepiece round which the others provide a symmetrical frame – but, when it is, an important dimension will have been added to the composer's portrait. Monday's performance was a more than sufficient appetite-whetter. For the rest of an extraordinary programme there is hardly space to do justice. The Boulez-BBC combination in Messiaen's *Chronochromie* and the Schoenberg Variations, op.31, is a hallowed one: on this occasion there was perhaps slightly more untidiness and inexact ensemble in the former than one recalled from previous occasions, and certainly an even greater command of form and direction in the latter. (Noisy cheering for a Schoenberg work such we heard on Mondayis still an unfamiliar experience.) Benjamin's *Ringed by the Flat Horizon* – that miraculous nature-vision of an incredibly mature 19-year-old – seemed to move faster, less atmospherically, under Boulez's hands than it has under others; whatever losses this may have entailed were more than compensated for by the taut, rigorous logic of the unfolding.

Rossini in Florida

Andrew Porter

Miami is a town often in the news: for its criminality, its drug traffic, its boom as both northerners retiring to the sun and Latin Americans at odds with their home governments settle there. It's linked to London by thrice-weekly Concordes. On my visits I've never been able to get much coherent sense of the place. On my latest visit, I stayed in Coral Gables – an idyllic quarter of trees, parks and planned development – but dined in the vibrant Hispanic downtown. I was in Miami to hear the American premiere of Rossini's *Bianca e Falliero*.

The Greater Miami Opera season opened with *Bianca* and continues with *Tosca*, *Don Giovanni* (Cheryl Studer, James Morris), Stephen Paulus's *The Postman Always Rings Twice*, and *Otello*. Each work is given five times, twice with a "national" cast. A new opera house is planned; meanwhile the company plays in the 2,500-seat Dade County Auditorium, which strikes me as just about America's least attractive house, with rows stretching back to JJ (three more rows than at the Met) and so cavernous that there are two supertitle screens, one above the stage and one halfway back.

Bianca had its first modern performance in 1986, done with big voices (Ricciarelli, Marilyn Horne, Chris Merritt) in Pesaro's 700-seat Sala Pedrotti. In Miami, the alternate heroines were Gianna Rolandi and Juliana Godek. Rolandi, always a fleet, accurate singer, has grown in her command of a role and used floridity to dramatic effect. Godek sang attractively, except when letting fly with some gratuitous high notes. Both mezzos, Kathleen Kuhlmann and Luretta Bybee, made much of the great Act 2 scene. The tenors, Gary Bennett and Robert Swensen, were overtaxed. There was a good deal of ambitious– sometimes overambitious–adornment, prepared under Philip Gossett's guidance.

Bianca, composed for La Scala, is more "formal", more conventional than Rossini's Neapolitan serious operas. (The audience burst into cheers and laughter when, in the nick of time for the final cabaletta, Dad relented and let Bianca marry Falliero after all.) It was not helped by a rather gloomy set, a clumsy production (explicatory pantomimes added, "time-suspended" lighting effects for reflective episodes), monochrome costumes. But Willie Anthony Waters, the artistic director of the company was for the most part a spirited conductor. And it's a richly composed, neatly mastered score.

This concludes the recent series of articles (January 11, 12, 13, 18, 19, 20/21) by Andrew Porter on the American musical scene.

Book Review/Michael Coveney

Acting crazy from Peter Brook to Richard Burton

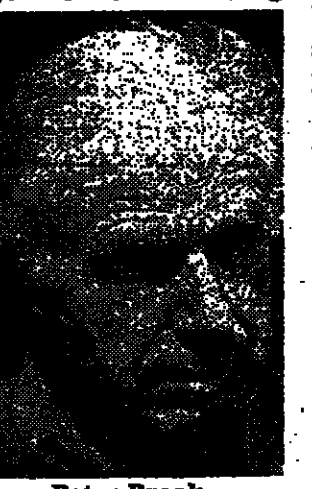
Here are dreams and journeys, ideals and practicalities, triumphs and disasters, pain and pomposity, passion and grief. In other words, a rare old rattlebag of new theatre books.

Peter Brook: A Theatrical Casebook compiled by David Williams (Methuen, 8.95 pounds, 398 pages) will serve as a most useful introduction to Brook's work, pending the publication of his own autobiography in April, itself timed to coincide with the arrival in Glasgow of his latest major work, *The Mahabharata*.

This collection of essays, reviews and interviews charts clearly, and I believe for the first time, how the West End wunderkind of the late 1940s brought Brecht, Artaud and Beckett to bear on his work for the Royal Shakespeare Company before saying goodbye to all that and hitting the exploratory, quasi-anthropological trail far from the magic triangle of London, Broadway and Right Bank Paris.

That last phrase is Irving Wardle's in the concisely evocative foreward. Brook has sallied forth, since 1970, from his Parisian Centre for International Research. The first fruits of this adventure were seen at the Shiraz Festival in 1971; Andrew Porter's famous reviews of *Orghast*, first published in this newspaper, stand at the centre of this book, just as *Orghast* itself stands at the centre of Brook's creative evolution.

It is not fashionable to be too "serious" about your art these days. Derision is the last refuge of the ignorant and uncommitted. **A Dream of Passion** by Lee Strasberg (Bloomsbury, £12.95, 201 pages) bristles with seriousness, but also with fascinating autobiography and a searing passion for theatre.



Peter Brook

When the Moscow Art Theatre visited New York in 1923, the young actor Strasberg was instantly converted and convinced that "acting was the process of living on the stage." He adopted the methods of Stanislavsky, not slavishly, and applied them to the new American theatre. He founded the Group Theatre in the 1930s and his own Acting Studio, home of the much misrepresented "Method," in 1941.

Strasberg died in 1982, but his refreshing and readable testimony, by no means an exclusively "how to" book for budding actors, subtle and scientific, has been edited and well presented by Evangeline Morphos.

Sam Beresford is the budding actor in **Next Season** by Michael Blakemore (Faber, 3.95 pounds, 363 pages), the best theatre novel I have ever read, happily reissued in paperback after 20 years out of print. The old world of weekly rep was vanishing even as Blakemore wrote the book, but it remains a valid and deeply moving account of an actor's craft, doubts and motivations.

Like Blakemore, Sam is an Australian. His sojourn in the fictional Yorkshire spa town of Braddington is viewed with an outsider's objectivity and an impassioned clarity. His sex life, though, is a hectic muddle, inextricably bound to his fortunes in the company which harbours nasty new meritocrats as well as the wonderful old instinctive and helpful veteran, Ivan Spears. Simon Callow provides an appreciative introduction.

Given the author's pre-eminence as a playwright, **Writing in Restaurants** by David Mamet(Faber, 3.95 pounds, 160 pages), is a disappointingly thin collection of doodles, speeches and little essays. "We expect less of our actors today because we expect less of ourselves" is typical of an off-putting tone. I expect more of Mamet, though I respond to his chapters on poker and pool, masculine rituals of big bids and small cons that characterise his plays and his recent film, the superb cat-and-mouse thriller, *House of Games*.

Mamet calls for a resurgence of American playwriting on radio, pointing enviously to the BBC Radio drama department. A valuable addition to Methuen's World Dramatist series, **Jean Anouilh: Five Plays** (Methuen, 3.95 pounds, 424 pages) contains two translations, of Léocadia and Antigone, commissioned by BBC Radio.

Anouilh's best known translators – Christopher Fry, Barbara Bray and Lucienne Hill – are all represented here, and they are joined by Timberlake Wertenbaker. Their work, and Anouilh, is engagingly introduced by Ned Chaillet.

I cannot imagine who would want to read **Richard Burton, My Brother** by Graham Jenkins (Michael Joseph, 12.95 pounds, 248 pages). Jenkins refers throughout to his brother "Rich" and does so with an ingratiating mixture of envy, pride and barely concealed resentment.

Burton's blasted, wasted talent is a matter for serious regret, and analysis. This book is badly written showbiz sycophancy of a particularly ghoulish and repulsive kind.

Eric Clapton/Albert Hall

Antony Thorncroft

When John Drummond took over as controller of Radio Three last year he apparently ingratiated himself with the Young Turks on the channel by agreeing that Mozart often produced wallpaper music. One of the greatest, of course, but just perhaps a little bland, a little over-exposed.

It was hard not to share the same heretical thoughts about Eric Clapton, currently playing in London for an extraordinary number of nights. You can remember when the opening chords to "Layla" represented one of the supreme achievements of man; when the mounting surge in "Cocaine" united a generation in some innocent naughtiness; when "I shot the sheriff" was just the funkiest song around.

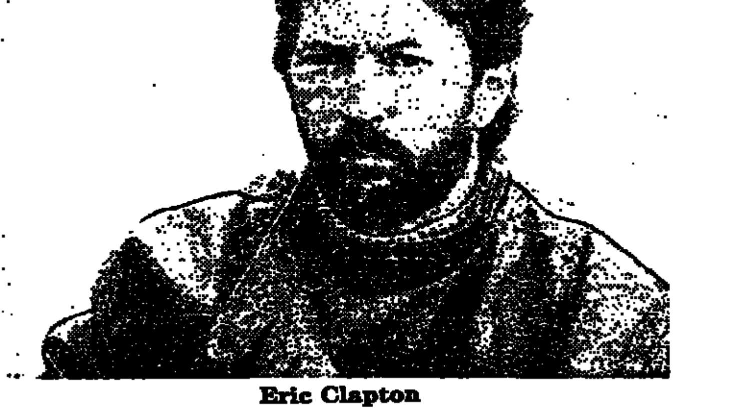
Now they sound like the pop world's "One Hundred Best Tunes". Its nice to hear them again but they can't quite stir the spirit. It was quite appropriate that Clapton should be on the stage at the Albert Hall and that the audience should stay seated for most of the performance. This was pop music in its comfortable middle age.

Clapton contributes to the pipe and slipper image. He is now so laid back as to be almost horizontal. He wears baggy clothes; sticks his cigarette into the strings of the guitar; mumbles the odd introduction; and generally carries on like a homely uncle. That has always been his attraction – Good Old Eric, a decent bloke who by some weird chance just happens to be one of the finest guitar players in the world.

He does not need to be flashy in his performance: the guitar bends effortlessly to his disciplined creative imagination. His band consists of supreme session musicians, who unostentatiously get on with their jobs, plus Mark Knopfler of Dire Straits who has come along for the ride. In prospect this should provide challenging guitar duals; in practice Knopfler keeps such a discreet presence that you have to check on the bandana to make sure he is there. Only with the final encore, his own "Money for nothing," does he throw off an extended solo.

But Clapton serves his fans well. There is something for every generation. He opens with Cream numbers like "White Room" and closes with tracks from his latest, and most commercially successful album, August. In between there was enough proof of his genius in a medley of "Badge" and "Let it rain," the highlight of the show. He slipped " Layla" in quickly after a tribute to star bassist the late Jaco Pastorius, and climaxed with "Sunshine of your love."

Clapton really needs to be pushed, as he was by Duane Allman in the recording of "Layla," to produce his best stuff. In this performance he was enjoying himself with some friends. It was a pleasant evening with some marvellous music, but it was not an exhilarating rock experience. That was happening down the road at the Hammersmith Odeon with the sweaty John Cougar Mellencamp tearing out his soul and bringing the gritty side of Middle America back home.



Eric Clapton

Arts Guide

January 22–28

Theatre

LONDON

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, Sarcophagus, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (236 5568/638 8891).

A Man For All Seasons(Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren. (836 8888).

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. (928 2252).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury Theatre). Stunning revival, directed by Mike Ockrent and designed by Maria Björnson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. The cast is led by Dolores Gray, Julia McKenzie, Diana Rigg and Daniel Massey, all of whom are excellent. (379 5399).

Serious Money (Wyndham's Theatre). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast is deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but it is a classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

WASHINGTON

Enrico IV (Arena). Pirandello's mystery of the man who imagined himself as Emperor Henry IV of Germany is staged by Zelda Fichandler. (488 3300). Ends Feb 21.

CHICAGO

Passion Play (Goodman). Peter Nichol's clever twinning of the major characters as they conduct a duplicitous affair adds a sharp edge to the view of contemporary life in London. (443 3800). Ends Feb 13.

TOKYO

35 Steps (Aoyama Theatre). Song and dance with the Shiki Theatre Company which specialises in musicals and which is celebrating its 35th anniversary this year. The evening features 35 extracts from past, present and future Shiki productions – including excerpts from West Side Story to Phanton Of The Opera. (0120-489444). Ends Feb 21.

Kabuki (Kabuki-Za). Tokyo's main Kabuki theatre is celebrating its centenary with a year-long festival featuring perennial favourites and new works. The morning programme this month includes Kanchinjo, in which the wily servant outwits his master's pursuers. The afternoon programme has another popular piece of Kabuki, Sukeroku. Both plays are the property of the Ichikawa family whose kabuki lineage dates back 250 years, and they each feature the current head of the Ichikawa family, Danjuro XI. There is excellent earphone commentary in English. (541 3131).

Saleroom/Antony Thorncroft

Tops for album cover

The original artwork for the Genesis album "Selling England by the Pound" sold for £6,000 at Phillips yesterday in an auction of modern British art. The watercolour design by Betty Stanwick is very much in the style of Stanley Spencer and shows a tramp lying on a bench with rural figures bowing to each other along a tree lined avenue. It will be famous to millions of record collectors.

The sketch had belonged to Tony Stratton-Smith, the first manager of Genesis, who died last year and was sold to aid a new charity for musicians. The buyer was the keyboard player with the band, Tony Banks. He paid well over the top estimate of £1,500.

The auction totalled £193,215, with 19 per cent unsold, confirming that demand this year is currently below the level of six months ago, but that good items still sell well. All the top lots far exceeded their estimates. The highest price was the £11,500 paid for "Flowers in a sculptured vase" by Harold Clayton, a decorators' picture if ever there was one. Its high estimate had been £2,500.

The London dealers Agnew acquired a coastal landscape by James Dickson Innes for £9,900, three times forecast, and a wintry landscape attributed to Robert Bevan for £5,500 (as against a £800 top estimate). Another London dealer A & F Gordon paid £7,700 for Little Lord Fauntleroy as imagined by William Henry Margetson.

هكذا من الأصل

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday January 27 1988

Mr Reagan's final message

MR RONALD REAGAN is nothing if not constant. In his inaugural address seven years ago, he invoked the image of the US as "that shining city on a hill" and on Monday night in Washington, in his final State of the Union message, he was at it again, word for word.

In one critical sense, there is an innocence about this president which appeals to his countrymen. The reception accorded him by Congress on Monday was testament to this. His Administration has been going downhill for some time and domestic and external policies are a bit of a mess, but, as ever, Mr Reagan is somehow not associated in the public mind with this.

Election year

In terms of substance and political reality, however, Mr Reagan said nothing that which will make much difference, with just one possible exception. His bald statement with reference to the strategic arms negotiations with the Soviet Union – "no agreement is better than a bad agreement" – may be interpreted variously; as a necessary note of caution, as a sop to his right wing, which is unhappy enough with the intermediate missile treaty now in front of Congress, or as a reflection of real difficulties in Geneva. But it demonstrates that another summit and another important step this year towards better superpower relations cannot be taken for granted.

Beyond that, the address was noteworthy only for its symbols. Mr Reagan's proposals to change the budgetary process, involving, regardless of how he couched it, an effective transference of authority from the Congress to the Administration, stand no chance of being implemented, least of all in an election year. In any case, Mr Reagan can hardly lay claim to greater responsibility in budgetary matters than Congress, given that his policies have more than tripled the size of the deficit. The balanced budget amendment, to which he again returned, is in the real world an irrelevance, as the President should know, since he has never actually submitted such a plan to Congress.

Protectionist tide

In fact, the legislative agenda for this year will not be changed by anything the President said. The big battles will be on the details of spending, inevitably, on the INF treaty and on aid to the Nicaraguan Contras. It was, however, disturbing, if not wholly surprising, to hear Mr Jim Wright, the Democratic Speaker of the House, once again pick up the cudgel of the omnibus Trade Bill as a cornerstone of his party's plans for 1988. It had seemed that the lesson of Black Monday, with all the comparisons made with 1929, the subsequent Smoot-Hawley laws and the onset of the Depression, had served to roll back the protectionist tide. If so, Mr Wright seems intent on the role of a reverse Canute.

But the Democratic leadership was right in one respect. They dismissed Mr Reagan's address as "the end of an era". The problem, as yet barely addressed in the election campaign, is what and who comes next.

Weighing up the public interest

THE BRITISH Government's definition of what is and is not in the public interest to disclose is looking increasingly questionable. The most recent example arose on Monday, when Sir Patrick Mayhew, the Attorney-General, informed the House of Commons that no prosecutions would take place following an internal investigation of certain shootings by officers of the Royal Ulster Constabulary in 1982. Six people were killed; four police officers were tried and acquitted. Sir Patrick admitted that there was evidence of police attempts to pervert the course of justice, but added that it was not in the public interest to prosecute. Since the RUC is operating as a civilian police force, subject to the rule of law, this interpretation of the public interest is inadequate.

Less restrictive

Clearly Ulster poses special policing problems and it is assumed that considerations of security lie behind Sir Patrick's decision. Mrs Margaret Thatcher, the Prime Minister, was right when she said in a television interview on Monday night that most members of the public believe that a secret service should keep its secrets. Most people would also support her in insisting that members of the security forces should be subject to a lifelong duty of confidentiality.

These views will no doubt be reflected in the white paper on the reform of the Official Secrets Act that is being prepared by Mr Douglas Hurd, the Home Secretary. His proposals will attract widespread support if they confine the definition of top secrecy to the activities of security service operatives. A lesser level of secrecy, with a less restrictive notion of confidentiality, should be applied to some areas of defence and foreign affairs. But if Mr Hurd, prodded, perhaps, by the Prime Minister, seeks to extend the cloak of confidentiality to other government departments it will be natural to conclude that the purpose is as much to cover government mistakes as to protect the country's security.

The case of the Ulster shootings appears to be indicative of the Government's attitude to disclosure. The RUC's own internal investigations have so far proved unsatisfactory. The Government has admitted as much – and shut the case-book, taking to itself the responsibility for deciding that one admitted harm to the public interest would be outweighed by another in the event of public disclosure.

Similarly, in relation to the Official Secrets Act, Mr Hurd has argued that an "inside" appeal mechanism for members of the security services would not be trusted by outsiders, while an "outside" one could not be given the information needed to make a proper assessment. He is therefore inclined to favour the doctrine "trust the minister." Mrs Thatcher made the same point on Monday night. But a respected outside body, perhaps a panel of justices or privy councillors, should be allowed sufficient access to internal information to make a fair assessment.

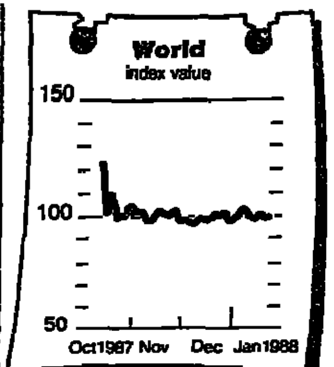
Price of silence

NO ONE has ever been sent to prison in the UK for insider dealing. So it would have been bizarre if Mr Jeremy Warner, the British journalist, had been imprisoned under the unique sanctions imposed by the 1986 Financial Services Act to aid Department of Trade Inspectors in their pursuit of insider dealers. His offence was to refuse to disclose sources of information which the inspectors said were necessary to their investigation, and the penalty imposed for what one judge in the case reasonably described as a "morally defensible" attitude was a sizeable fine.

The affair now appears to be closed, and it is unlikely to have broad consequences. Honest journalists – and crooked share dealers – will not be much deterred by the outcome. But there is one point of public interest outstanding. Under the Contempt of Court Act 1981, journalists are not obliged to disclose their sources unless the court is persuaded that disclosure is "necessary in the interests of justice or national security or for the prevention of disorder or crime." One message of the Warner case is that unless the word "necessary" is interpreted very strictly by the courts, the protection which parliament extended to journalists will be of little value.

Financial Times correspondents report on world-wide developments in the equities markets since the October 19 crash and on the economic implications

A glum 100 days



IN THE 100 days after Black Monday, October 19, world share prices have dropped by almost as much as they did on the day of the crash itself. This sustained bear market is probably the most important development of the past 100 days. It shows up most clearly in the FT-Actuaries World Index, which tracks the performance of 2,443 blue chip stocks in 24 countries. On October 19 itself, this index, measured in each country's own currency, dropped 10 per cent. Since then, it has dropped another 9 per cent.

The worldwide bear market has been partly concealed from public attention by the fact that US stocks have bucked the trend. US shares in the World Index dropped by 20 per cent on Black Monday itself, twice the world average. They have since gained 8 per cent, to end only 13 per cent down from their pre-crash levels, the best performance of any major stock market. As the charts show, others have done worse. Australia is 38 per cent down from pre-crash levels; Britain 23 per cent; France 30 per cent; even Japan is 16 per cent down. All these markets have fallen, in some cases steadily, since Black Monday itself.

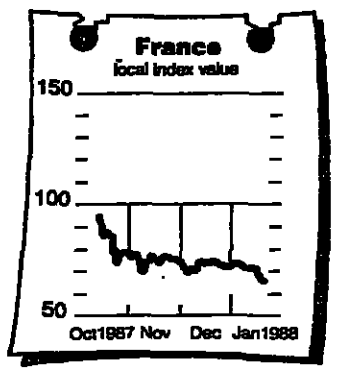
Against this gloomy background, four other trends – not all of them obvious immediately after the crash – now predominate:

● In almost all financial centres, share-trading volume has shrunk dramatically, putting a squeeze on a securities industry in which profitability is still closely linked to transactions volume.

● New securities issues have dried up across the board; after a pause, takeovers have started to pick up again, with cash buyers dominant;

● Economic growth has not so far been affected; in most countries economic forecasts have been only revised downwards slightly.

● Despite the lack of economic pessimism, institutional investors are battening down for bad times. A list of sectors which have outperformed the average reveals that the classic "defensive" stocks – industries which will suffer least in a recession – have done best.



Britain's investors illustrate this uncertainty. Enthusiastic speculation has been replaced by prudent abstinence – but not by wholesale exits from the equity market.

"There is indecision about even what the problem is," says Nick Knight of stockbrokers James Capel. "Institutions don't know whether they should be worried about overheating or recession, the UK or the US, 1988 or 1989."

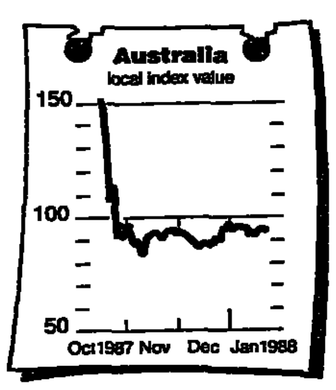
The big investment institutions have built up their cash positions from a low 2 per cent of assets to about 6 per cent.

The number of bargains transacted in UK equities by the customers of Stock Exchange member firms halved in the last two months of the year from the average of the previous 10 months. (The falls in numbers and value of shares traded, however, were not as steep).

In the US a similar pattern of uncertainty and lower transactions volume has been taking hold. Immediately after the crash, Wall Street became remarkably confident remarkably quickly that corporate America now offered investors a bargain.

That optimism seems to have vanished. Trading volume on the New York Stock Exchange, running at over 250m on the busiest days before the crash, has rarely exceeded 180m so far in January.

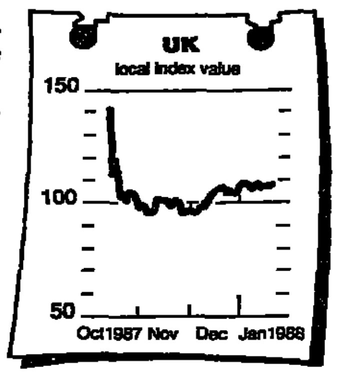
In West Germany, the drop in volume has been equally marked. Equity turnover has dropped sharply since October. From a peak turnover on all the eight bourses of almost DM 106bn a month in July and August, volume slipped to DM 51bn in November and DM 29bn the following month.



In Japan, where confidence remains healthy, trading volume in the the world's largest stock exchange is starting to recover. In November, the number of shares changing hands was down 60 per cent over the same period in 1986. But in December, volume was off about 38 per cent in the Tokyo Stock Exchange's top tier stocks, showing that things appear to be getting better.

Foreigners exited Japan in droves until early this year, while individual investors remained net buyers. The Government's decision to ease the reporting regulations on Japan's huge Tokkin funds has improved sentiment in recent weeks. This in turn has helped to prompt the return of foreigners, at least for the time being.

In France, the stock market has continued to decline steadily since the crash, with the CAC index now back to the levels of two years ago. Worse, the January account period, ending last week, showed the first signs that small investors were beginning to follow the institutional fund managers who had bailed out of equities in the immediate aftermath of the crash.



In Australia, stock market volume is down dramatically, ranging between A$100m and A$200m in value daily; previously it might have been double or treble that.

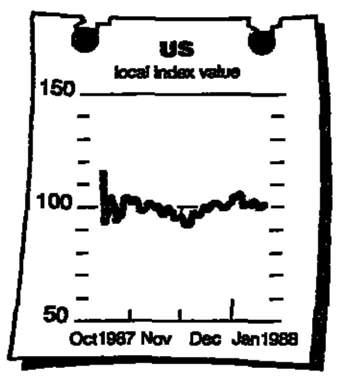
Against this worldwide background of lacklustre markets and sluggish volume, new securities issues have dried up. In the US for example, Mr Robert Natale, editor of Standard & Poors' new issues newsletter, expects perhaps 10 to 15 new issues during February compared with 37 at the peak of issuing activity last August.

In Britain, too, new equity issues have vanished. Underwriters are not prepared to take the risks, and companies feel they would be rash to attempt issues in the current climate. Analysts still feel, however, that the Government's privatisation programme can proceed pretty well unchecked despite October's BP debacle.

In France, the Government put off its plans to privatise two insurance companies, a bank, and the Matra electronics and defence group after the crash. The Matra privatisation was restarted last week.

In Japan, also, new issue activity has been slow in recent months, but it has never been a major feature in Tokyo. The Government's sale of the second tranche of NTT shares in November and its remaining stake in Japan Air Lines in December went smoothly, even though NTT shares have since drifted below their offer price. Further privatisation programmes, particularly the NTT sales, are expected to proceed as planned.

With share prices depressed, some countries have seen a rash of takeover bids, most for cash. In Britain, a surge of all-cash offers will add substantially – perhaps by some £6bn – to the cash balances burning holes in the pockets of the institutions. In the US some very large deals have already been seen in the last couple of weeks. Figures from Mergers and Acquisitions magazine show $16.6bn in takeover deals have closed since October 19 to the end of the year. That compared with $133.5bn worth of deals in the rest of the year.



Australian markets had revolved around takeovers, and the post-crash decline in numbers has hurt. But activity continues: Goodman Fielder picked up a handy parcel of Ranks Hovis McDougall shares straight after the crash, North Broken Hill is trying to take over Peko Wallsend in a major mining merger, and Elders Resources is doing a reverse takeover of NZ Forest Products.

In France, the market's fall has excited appetites. The bidding battles for Benedictine and Martell in the drinks sector have both returned share prices to their pre-crash levels. To defend against these appetites most companies have taken measures to strengthen their "hard cores" of friendly shareholders, copying the practice introduced by the finance ministry to protect newly privatised companies from raiders.

The effect of the profound shift in market sentiment on economic activity varies from country to country. Japan's economy, for example, is continuing to expand, with growth led by vigorous domestic demand. The Government has targeted an annual GNP growth of 3.8 per cent for fiscal 1988, following an estimated 3.7 per cent growth in the current fiscal year.

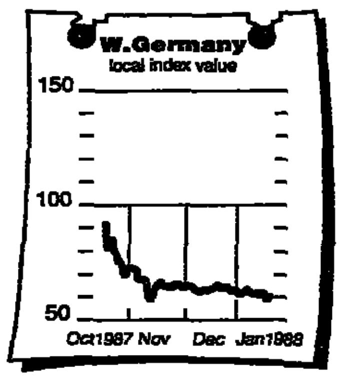
In the US the Christmas season in department stores was disappointing but not dramatically so. "The American consumer appears to have been only moderately dazed by the multiple blows suffered by the equity market," says Mr Fabian Linden, executive director of the Conference Board's Consumer Research Centre.

Other indicators give a mixed picture. Housing starts plunged 16 per cent in December but, in the same month, the nation's factories operated at their highest level for eight years.

The average forecast for US GNP growth this year has been revised downwards by a significant margin from around 3.5 per cent to around 2.2 per cent. There are wide variations on either side of that figure, however, with some economists looking for startling growth of 5.5 per cent, others negative growth of as much as 3.5 per cent.

In West Germany, Mr Gerhard Stoltenberg, the Finance Minister, admitted late last month he now expected domestic growth in 1988 to be as much as one percentage point lower after the fall in the dollar and upsets in world equity and foreign exchange markets.

Mr Stoltenberg now predicted growth of between 1.5 and 2 per cent for this year against the 2.25-2.5 per cent he forecast before. Some economists still believe the lower figure to be optimistic.



In France, the crash had no noticeable effects on consumption in the pre-Christmas period, and for 1988, the slowdown in consumption predicted by many economic analysts is linked more to a deceleration of earnings growth and an end to the decline in the savings rate than to any "wealth effect" resulting from the crash.

Insee, the state economic institute, calculates the total potential loss in bond and equity values during the crash at FFr 68.4bn, with households suffering perhaps FFr 30bn of this, barely half a percentage point of GDP.

In Britain, the consensus among independent economic forecasters on the prospect for output in 1988 has hardly changed since October and, if anything, has edged slightly upwards. The City's leading forecasters, for example, now expect growth of 2.6 per cent this year, against the 2.4 per cent they predicted in October. That slight adjustment gives a misleading expression of calm, however. The mood of Britain's economic forecasters has swung intermittently between imminent overheating or prospective slump.

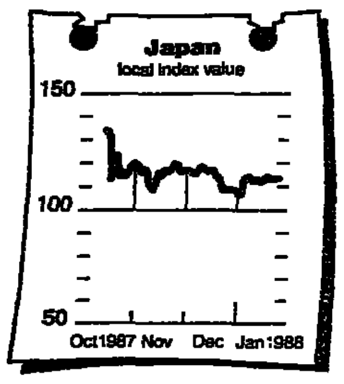
Some things are clear. In the months immediately ahead of the stock markets crash, Britain's economy was expanding at what Mr Robin Leigh-Pemberton, the Governor of the Bank of England, has called an "unsustainably rapid" pace.

Output was rising at an annual rate of 6 or 7 per cent, savings were at a historically low level, consumer spending was buoyant even in comparison with the rapid growth of recent years, and evidence of capacity constraints was increasing.

Since then, as yesterday's industrial trends survey published by the Confederation of British Industry suggests, there has been a moderate slowdown. Confidence has been dented but by no means destroyed. The survey also suggests that the undoubted problems which the economy will face this year can be traced more to familiar British ills than to the crash: rising wages eroding British competitiveness at a time when the trade balance is sinking into the red and generating steady upward pressure on inflation.

No one is predicting that the economy in 1988 will enjoy the easy ride of 1987. But the domestic economy at least has yet to show signs that the history of the 1930s will repeat itself.

Reports from Janet Bush, Philip Stephens, Alex Nicoll, Haig Simonian, Chris Sherwell, Carla Rapoport and George Graham.



OBSERVER

World Bank goes green

■The World Bank is breaking fresh ground, or at least being trendy, in creating a new post of Director for Environment. Appropriately enough it has gone to a New Zealander, Kenneth Piddington, and his deputy will be a Swede, Erik Arrhenius.

Piddington, born in England in 1933, first made his name in the New Zealand foreign service. He was much involved in watching the initially abortive British negotiations to join the European Community when it looked as if there would be no future for New Zealand butter. He then turned his attention to the South Pacific and, in 1980, became New Zealand's original Commissioner for Environment – a department subsequently split into two between environment and conservation. He comes now from the latter.

Arrhenius is Professor of Management and Director of the Institute for the Management of Natural Resources at the University of Stockholm. Previous appointments in the field of environment were at a rather lower level in the World Bank hierarchy.

Sinking feeling

■The annual report of the Institute of London Underwriters makes depressing reading, not only for its accompanying glossy pictures of last year's disasters but also for its pessimistic observations about an overladen industry chasing a shrinking market.

Retiring chairman David Lowen, 60, complained of "desperate" competition from abroad where rates on hull, cargo and offshore business were being reduced to "what one can only regard as amusingly pathetic levels, were it not for the seriousness of the situation this is creating."

Among the gloom, however, Lowen leaves a little room for optimism about an upturn for the shipping trade. His own barometer is Greece where ship owners are talking of buying new tonnage.

Any revival will take time to work its way through to the underwriters who recognise there are still too many ships with too little trade, particularly in the oil business. Lowen, not known for his sensitivity, said: "There is an over-capacity of tankers. If the Iraqis knock a few off, it won't make a lot of difference."

Lowen was critical of what he regarded as a lack of government interest in the City. "We never get a visit from anyone. We would like more ministers coming to see us or contact us."

Asked what notables had ventured over he said: "I did manage to get Jeffrey Archer down once."

"Frankly, your treatment depends more on Mrs Thatcher than on my efforts."

Twin towers

■Archie Donaldson, who used to be group treasurer of ICI, has a new career as an hotelier.

He noticed what should be obvious, but seems to pass many people by: namely, that some Scottish property prices are ridiculously cheap. In September 1985, when still at ICI, he bought an old family house in Dumfriesshire, part sixteenth century, part nineteenth, for £135,000. Its condition was not all that bad, though it did need bathrooms. After spending considerably more than the purchase price on putting it into shape, and a certain amount of time on the planning stage, he now has an hotel with private fishing, a capacity to sleep 18 and a dining room that seats 24 people.

It is called, as it has been always, Barjarg Tower, Barjarg meaning "the red hilltop" in some derivative of Gaelic. What is more, Donaldson maintains a separate existence as a financial consultant which, he says, is quite easy to do from Scotland. He is now 58, having left ICI a year ago because he wanted to work with his wife, Mary, who used to run a private business of her own.

Changing track

■Stig Larsson, the man who turned round the information systems division at Ericsson, has been appointed General Director of Sweden's state railway, which is otherwise known as SJ.

It is not a bad system, as state railways go, and in 1986 lost only SKr 430m (about £43m) on a turnover of SKr 16bn. But it is overstaffed, loses heavily on the tracks to the remoter areas and the Social Democratic Government has ordered that it must be run like a private enterprise – with direct government subsidies, if necessary, to the local authorities to enable them to make their own transport decisions.

It is a very big question how far Larsson will be allowed, or choose, to wield an axe.

Contracts count

■John Rickards, who joins Nomura Securities today as the head of its nascent gilt-edged operation, has finally managed to sever his links with his old firm, W Greenwell and Co.

He made his first attempt about two-and-a-half years ago, after Samuel Montagu bought out Greenwell. Rickards announced he would join Baring Brothers, but a degree of moral pressure was brought to bear together with a reminder of certain contractual obligations. As a former partner of Greenwell, he was not permitted to join a rival without first giving six months notice of his intention to do so.

Following a sojourn in New York, and representing Greenwell Montagu on the board of the Gilt-Edged Market Makers Association, he moved over to Samuel Montagu as a client relations director after Big Bang.

Baines Gwinner, one of the City's newest head-hunters and the company in charge of recruitment for Nomura's gilts operation, approached him last July.

Japanese strings

■Thanks to their super-strong currency, the Japanese have become big spenders in the luxury class of goods and services. Last year, minks, diamonds and impressionist paintings were among the items in greatest demand. Now, it appears, Tokyo has become a magnet for stolen luxury goods.

Tokyo police have arrested an American who was hawking a stolen Stradivarius violin around town. The scandal, however, was not the alleged theft of the precious instrument, but the price at which he was aiming to sell it. According to local press reports, he was pitching for about Y125m (nearly $1m) – around four times its true value.

Contagious

■A new disease is sweeping the City – Raids (Reduced Annual Income Deficiency Syndrome).

Rising exports are a prime force in the US farm recovery. Nancy Dunne reports

A harvest of new opportunity

Washington, Oct 1: Acting Under Secretary of Agriculture Richard Goldberg announces plans for a $200,000 (£112,360) promotion programme for US pistachio nuts in Japan, Hong Kong, Malaysia, Singapore and Taiwan.

Washington, Nov 18: Acting Under Secretary of Agriculture Milton Hertz announces an opportunity to sell an additional 10,000 head of dairy cattle to Turkey and a new opportunity for sales of 3,000 head to the People's Republic of China under the US Department of Agriculture's Export Enhancement Programme.

US EXPORTERS and agricultural producers are being bombarded with such "opportunities", created by the US Agriculture Department as it carries out its congressional mandate to retake "traditional" American markets from foreign competition.

Using subsidies, promotion programmes and direct sales, aided by lower prices and the falling dollar, the department has pursued its mission with considerable success. In mid-December, in its revised forecast of farm exports for the 1987-88 financial year, it projected sales totalling $32bn and 141m tonnes – up from $26bn and 109.6m tonnes in 1985-86.

Gone are the humiliating days of the first half of the decade, when the US found its high price supports and strong dollar providing "a price umbrella" for the rest of the world, while American traders were driven from market after market by undercutting competitors. With the rise in exports, US farmers are beginning to scramble out of their six-year depression. Cash farm income, swelled by lavish government payments, is estimated at a record $57bn last year, compared with an average $30.6bn per year in the prosperous 1975-79 period.

The $49bn spent on Agriculture Department commodity programmes in the last year by the department has played a leading role in the recovery, but farmers also benefited from strong livestock profits, a drought in Asia, declining costs and unprecedented yields.

Restructuring is by no means complete. The highly leveraged farmers, who survived bankruptcy in recent years, are still enduring financial stress, but land prices – which shrank by $300bn after 1981 – have begun to edge up again. The number of foreclosures has dropped and producers are paying off their debts at a brisk pace.

The improvement has benefited the $50bn Farm Credit System, which last year was granted a $4bn congressional bail-out, instead of the $6bn it was first thought would be needed. The Agriculture Department, meanwhile, with more than 12,000 employees in Washington and 100,000 around the country, has grown larger, more powerful and richer than many governments.

Last year it spent almost $74bn on various activities and almost $17bn in cash payments to farmers. Ironically, under an Administration which preaches restraint on central government, the department has been granted unprecedented authority to set farm support prices and to intervene in the markets. It has driven down price supports to make crops more competitive, then subsidised the differences when they are not.

Under its Secretary, Mr Richard Lyng, a shrewd former agriculture businessman, the department has paid out more than $1.4bn in crop "bonuses" from government stockpiles to subsidise foreign sales. When supplies of "free" wheat – not committed to various storage programmes – seemed to be growing scarce, the department began weekly wheat auctions to keep prices from rising to "uncompetitive" levels.

Almost unnoticed outside the grains trade, the department even has its own currency, issued in the form of commodity certificates, which can be exchanged for government-owned surplus crops. More than $12bn of certificates have been paid out to farmers and traders under various schemes. They sell or trade them to exporters, which redeem the certificates when the price or deal seems propitious.

The Reagan Administration once strenuously resisted subsidies and said it initiated the bonus-giveaway Export Enhancement Programme (EEP) in 1985 only to persuade the European Community to stop "stealing" American markets through its own subsidies. However, the practice seems to be addictive, perhaps because it has proved so successful in recapturing markets.

According to Mr C. M. Harper, chairman of ConAgra, Inc, an agricultural firm, US wheat exports, which have benefited most from the EEP, will "bounce back 50 per cent this year" from the lows of 1985-86. "The primary reason has been competitive pricing," he says. "The US simply could not meet the world price until last year."

Answering criticism of the aggressive subsidy programme and its rising cost to the EC, which has had to pay out more to keep up with the US, he says: "We did not get any thanks in the early 1980s when we were providing the world price umbrella. Instead our competitors increased production, undercut US prices and took our markets. But the knife cuts both ways."

The US even increased its farm exports to the EC last year – by 5 per cent – and sales are expected to swell again. Having virtually exhausted the $1.5bn, which Congress authorised for the EEP for the financial years 1985-88, the department has announced that the scheme will continue anyway, financed by its in-house bank, the Commodity Credit Corporation.

Neither the White House nor Capitol Hill has complained about the exceeding of budget expenditure and there has been no slackening of activity. Mr James Donald, head of the World Agriculture Outlook Board, has predicted a growth in US crop export volume of 10 per cent in 1987-88; smaller world supplies due to bad weather and production cuts; increased consumption spurred by bargain basement prices; and declining grain stocks.

Grain exports to the developing countries would maintain their improvement, he said. The US market share, which dropped from 59 per cent of the world grain market in 1982-83 to 41 per cent in 1985-86, would rebound to 51 per cent in the coming year.

American maize prices, depressed by lower price supports, have become increasingly competitive even without subsidies. The US share of the world market is now 67 per cent, up from 51 per cent in 1985-86, and traders say demand is at record levels, up 19 per cent in two years.

Although encouraged, the Agriculture Department is not yet ready to declare a sectoral recovery. It is pressing ahead with its marketing efforts, concentrating on added-value exports. Under its Targeted Export Assistance Programme, the department is disbursing $110m a year in funds or commodity certificates to help producers finance foreign promotional activities. In one such effort, the US Feed Grains Council is advising the South Koreans on the production of corn chips to be sold at the Olympics.

Sales are so good that some exporters are worried about future supply shortages, since many crops held in reserve programmes cannot, under law, be released unless the prices rise.

Mr M. R. Laserson, executive vice president of Continental Grain Company, speaking at the outlook conference, warned the US "to avoid the cycle of scarcity that has followed plenty since the time of the biblical Joseph."

He says the US may have to ration maize supplies if too much land is taken out of production in the Government's acreage set-aside programme this year. Shortages will force higher prices and could reduce the new trade competitiveness. The Kansas City Board of Trade says only 300m bushels of 1987 wheat are available to be marketed. Subsidised sales to the Soviet Union and China will take about 125m bushels, leaving insufficient supplies to meet other export and domestic demand.

"Two or three years ago, it was popular to say the world was awash in grain," says Mr Laserson. "We have had our bath and it is time to take a clean look."

US farmers are unlikely to have lost any sleep over what is essentially the dumping of US stocks on the world market and the dislocation the practice has caused in Third World countries. They, like most Americans, view the revival of the agriculture sector as a natural event because of the US's comparative advantages of climate and technical development.

Consumer electronics in the EC

Time for guidelines on inward investment

By Fred Burton

INVESTMENT in EC locations by Far Eastern producers of consumer electronics, at present concentrated in the colour television and video-cassette recorder (VCR) markets, is motivated primarily by the desire to counter the stronger yen and evade volume restriction agreements within the community.

The recent EC decision to extend anti-dumping duties to components imported into assembly plant has led to threats by investors to curtail their operations.

In these circumstances it appears appropriate to assess the quality of this investment which, it is claimed, offers Europe the opportunity for full-scale production, contributes to job creation, technology transfer and the efficiency of local suppliers, and stimulates European exports. (*Japanese Machinery Exporters' Association, Newsletter, Spring 1987*).

In the 1970s, the European colour television industry generated over- capacity and sub-scale production, but the UK Government, in 1979, rejected a National Economic Development Council plan for the orderly rationalisation of the UK industry from 16 to six plants. The preference, shared elsewhere in Europe, was for joint-venture access to Japanese technology and free market adjustment to international competition.

Ironically, a similar fragmented structure has emerged in the 1980s, this time dominated by Far Eastern producers. In 1987 they intended to assemble components in 17 colour television and 25 VCR locations within the Community. But only one plant has attained the generally recognised minimum economic scale of 500,000 units per year, a level which was identified by the National Economic Development Council a decade ago.

Given the scale of production, it is hardly surprising that these assembly operations are largely unprofitable, although this may also be construed as a tactic to weaken the competitiveness of European firms. Throughout Europe, Far Eastern subsidiaries have shown a return on sales below 3 per cent, and Sony, Hitachi, Sanyo and Mitsubishi have declared large losses on their UK operations.

Nor can the argument be sustained that there has been a net addition to jobs. First, European employment in consumer electronics fell, partly from productivity improvements, but largely from heavy penetration of European markets by Far Eastern producers, from 250,000 in 1975 (before VCR) to 120,000 in 1985.

Second, on current estimates, Far Eastern firms only employ 10,000 European production personnel. Third, whenever indigenous firms have been taken over, there has usually been a net loss of jobs, for example from 4,300 to 1,600 in three UK locations. Fourth, the tendency to source supplies and services from the Far East has led to the displacement of jobs in allied industries and the financial sector.

Technology transfer is negligible. Though Japanese firms account for 20 per cent of colour television and 90 per cent of VCR output in Europe, research, design and development functions are still centralised in the Far East. Japanese firms employ fewer than 50 European personnel in development; in research there are none. Thus, with low local content agreements (typically requiring local value added to be no more than 45 per cent) and a marked reluctance, in any event, to source from European suppliers, technology transfer is confined to job training and technical instruction to suppliers.

Technological inactivity in Europe, and the demise both of a local manufacturing capability and of innovations incorporating European components, deny European firms a marketing edge even in domestic markets, of which integrated circuits and displays, information technology and intelligent consumer electronics represent rapidly expanding strategic areas.

One justification for an open-arms approval of inward investment may be its potential for improving the EC balance of payments through lower imports and higher exports. A reduction in imports is to be expected. But although local production has grown faster than imports since 1983, reaching a ratio of 2.5 to 1 for Japan in 1986, a deflection of trade has taken place via imports from Hong Kong and the European Free Trade Area and trans-shipments from Singapore and Malaysia.

Far Eastern investment in the EC, operating under piecemeal rules and enjoying incentives and subsidies which place European firms at a disadvantage, is simply a single-minded export substitution strategy to avoid import duties.

A more strategic attitude by the European Commission appears to be justified. One initiative would be to rein back the counterproductive pursuit by development agencies and national authorities of limited short-term gains, which is feeding European de-industrialisation. Second, the present policy for the industry of anti-dumping threats and voluntary restraint agreements needs to be integrated into guidelines which would encompass inward investment.

To transform inward investment from being a front for exports into a vehicle for genuine long-term contributions to the economic welfare of the Community, criteria might be expected to stipulate both research and development elements, knowledge-sharing agreements through interaction with local suppliers, higher local content ratios, exports out of Europe, controls on the back-door entry of products not covered in initial agreements and the rationalisation of sub-scale production.

Action of this kind would enhance the ability of Europe to influence technological development and standards and product innovations of strategic importance. This initiative, after all, would simply replicate the competitive conditions and interventionist strategies in the Far East, from which its industries derive much of their strength.

The author is an international economist at the University of Manchester Institute of Science and Technology.

Letters to the Editor

The effect is feast or famine

From Mr R.J. Howling.

Sir, I am sure that most of my colleagues in the accountancy profession in particular, and most businessmen in general, wonder why the Government accounts in the way it does, merging revenue and capital.

This basis is followed not only by all government departments, but also in some respects by local government. Its effect is to cause feast and famine – depending on the capital situation arising annually.

Many people are advising the Chancellor to give away considerable tax reliefs in the next Budget, basing their thinking not only on the increased tax-take, but also on the reduced public service borrowing requirement (PSBR), which is affected by the sales of government assets like British Airways, British Gas and so on.

If normal commercial accounting principles were adopted, the capital spending requirements for the health service, education, expansion of the motorway systems and so forth would be funded from the capital receipts from the sales of the nation's assets, which should help to ensure that the requisite investment is made in a timely way, and that the income and expenditure accounts are only charged with normal and proper depreciation. We could then look at a normal income and expenditure budget based on a proper exploitation and return on the assets used.

I should hasten to add that on a current cost accounting basis, using current replacement costs, there would probably be a substantial deficit (given present Government allocations to the National Health Service) because of interest and depreciation charges. This would highlight the current reasonable requests that additional funds be provided for the health service, both for capital and income resources.

I would find it interesting to learn why anybody should promote the continuance of the present Government accounting systems. What is their justification for so doing.

R.J. Howling,
Roakham,
Old Coastguard Road,
Sandbanks,
Poole, Dorset

Recruiting will surely be difficult

From Mr David Wilson.

Sir, Following Charles Batchelor's article on the Enterprise Initiative ("Consultancy spread wider," January 19), it seems glaringly obvious why the new Department for Enterprise is going to have difficulty recruiting new enterprise counsellors.

The Department is proposing to pay £70 a day. Management consultants under existing Department of Trade and Industry schemes receive a maximum of £51 an hour – compared with the usual rate of £60 to £75 an hour for a senior consultant's time. Surely, not many qualified businessmen are going to be attracted to becoming enterprise counsellors when they can earn in an hour what they will be paid for one day's work with the new Department for Enterprise.

David Wilson,
76 Downs Barn Boulevard,
Milton Keynes, Buckinghamshire

'Professional' is a widely misused word

From Mr Rex Bird and Mr Clive Foulkes.

Sir, The Financial Services legislation is presumably intended to protect the public from unethical or uninformed investment advice.

We now face the prospect of advice on life assurance, pensions and investments being offered by banks, building societies, solicitors, accountants, "tied representatives" and direct sales representatives of life offices; and – we nearly forgot – specialist independent financial intermediaries.

Will all these people be recognised by the public as experts? Misuse of the word "professional" is now widespread in many activities, not the least of which is the investment industry.

If there were a recognised professional qualification – to be followed by a period of "articles" and an annually renewable practising certificate – before *any individual* were permitted to deal in life assurance, pensions and investments, the sale of such products would automatically be an accountable process. This would obviate the need for legislation which, in our view, will necessarily fail in its objectives.

Vested interests will of course ensure that making life assurance, pensions and investment advisers genuine "professionals" will never happen.

Rex Bird,
Clive Foulkes,
FBA,
125 Penny Lane,
Liverpool

Circuit breakers for the City?

From Mr Peter Bull.

Sir, Sir Nicholas Goodison's article (January 20) on the international stock exchange's performance during the October storms diverts attention from the key questions.

He argues that, in the three weeks October 21 to November 7, "in general individual investors were mainly buying;" and that "investors accounted for two thirds of the record volume." But it is grossly misleading to take a three week account when the London market fell over 20 per cent in two days. It is what happened *then*, both in market making and other branches of the industry, that needs to be examined.

Government policy has rightly encouraged the spread of individual share ownership. The plunge in October has probably set progress back: it has shown that the market can now fall so far, so fast, that individual investors cannot take protective action. Many practitioners believe that the difficulties experienced in dealing in shares, whether of smaller or larger companies, would not have occurred under the jobbing system.

What is needed is an independent inquiry into why New York's "meltdown," prompted partly by futures trading in Chicago and massive computer-based selling on Wall Street, was translated by current trading mechanisms in London into a free fall, and whether "circuit breakers" of the sort recommended by the Brady Commission should be introduced here.

Or are UK private investors so exposed to the machinations of Chicago and Wall Street that they would do better to stay out of the equity market completely?

P.J. Bull,
38 Radnor Walk, SW3

The process of forgiving third world debt has barely started

From Mr Mike Faber.

Sir, Those whose main professional concern is with the revival of development among heavily indebted third world countries have reason to be grateful to Citicorp, Shearson Lehman, Bank of Boston and so on for pioneering the use of "special provisions," debt equity swaps, write-offs, competitive tendering for bonds, and all the other dishes currently being cooked up for the menu of options. There is a sense in which together these do indeed constitute – to quote your leader of December 30 – "A First Step Towards Reality."

But it is only a *first* step. The reality is that by the turn of the century several hundred billion of third world sovereign indebtedness is going to have to be not just rescheduled forward, not just securitised and sold at a discount, not just swapped ingeniously for, say, a Philippine copper mine or a Mexican hotel, not just converted into some safe authority's zero coupon bond, but actually relieved, forgiven, extinguished. And that process has barely started, despite the commendable suggestions in respect of African debt put forward by Chancellor Nigel Lawson.

Your leader page article of January 22 discusses "What It Costs to Forgive and Forget." Fair enough. It is indeed useful to have estimates of what future write-offs are likely to have to stretch to. But there are two ways in which the wording of that headline might be thought to be misleading.

First, most of these bank losses have for all practical purposes been incurred already. What each bank – along with its regulatory and tax authorities – mainly has to decide now is how and when to acknowledge those losses.

Second, the costs of *not* "forgiving and (to some extent) forgetting" would entail losses in national income foregone, in the level of world trade, in the prosperity of exporters and eventually to the profit and loss accounts of the banks themselves substantially greater than the costs that will have to be borne as a result of an orderly process of conciliatory debt reduction.

Look at the matter this way. The sums of course are huge. But even if half of all third world indebtedness has to be extinguished over the next 10 years, one half of a percentage point in the growth rate of the GDP of the countries where the main creditor institutions are domiciled would exceed those losses. Disruptions resulting from attempts to recover sums that are, in foreign exchange terms, unrecoverable could easily give rise to losses in product that would be far greater than that.

A corollary of this argument is that the banks concerned merit encouragement, sympathy and perhaps even a little surreptitious support in converting their special provisions into the judicious extinction of claims.

Mike Faber,
The Institute of Development Studies,
University of Sussex,
Brighton

FINANCIAL TIMES

Wednesday January 27 1988

Chris Sherwell in Sydney joins the revellers as Australia celebrates 200 years of nationhood

Sydney steals the show in spectacular style

Settlers ahoy: Prince Charles and Prime Minister Bob Hawke witness the arrival of the First Fleet, re-enacted in Sydney harbour yesterday

THEY covered every patch of land with their bodies and their discarded beer cans. From the water they were almost as much the show as the audience.

Australia Day was celebrated all over the country yesterday, and all over its premier state, New South Wales. But it was Sydney's day, and the glory belonged to Sydneysiders and their stunning harbour.

About 2m people gathered on and around this magnificent stretch of deep water to ring in a third century of Australian nationhood, and they did so with a fervour that amazed even the revellers themselves.

Good-natured crowds, clutching flags and drinks boarded thousands of pleasure craft and gathered along miles of harbour foreshore to witness a historic re-enactment of the arrival of the First Fleet 200 years ago, a spectacular Tall Ships "Parade of Sail" and a dazzling fireworks display.

In kayaks, sleek power boats, yachts and public ferries they created a scene of joyful chaos. Ashore, throngs of people queued for hamburgers, pizzas and Porta-loos.

At one spine-tingling moment, with orchestra and choir in full flow, 147 military aircraft flew in formation low over the Opera House as eight sailing ships re-enacting the arrival of Captain Arthur Phillip and 750 convicts pulled into nearby Farm Cove at the end of an eight-month voyage.

In a keynote address during a simple Australia Day ceremony, Prince Charles said the best part of their story was that they made their prison into a new home where freedom became a reality for everybody.

Now, he said, almost every country on earth was "the Old Country" to some family in Australia. "Australia is its own creation. But in a very real sense it belongs to the world. People from anywhere feel at home here. It's that sort of place."

Prime Minister Bob Hawke told the gathered throng that their common commitment to Australia and its future was what bound them all together. But Prince Charles seemed to suggest it was time Australians overcame their apparent identity crisis.

"If it takes regular visitors from an old country to help you decide whether you should be celebrating or not, my wife and I will be glad to be of assistance," he said to rising laughter.

Referring directly to the predicament of the country's original inhabitants, he suggested that a country "free enough to examine its own conscience" was "a land worth living in, a nation to be envied."

As he spoke, about 20,000 Aborigines marched to a city park for a mass meeting "to celebrate our survival." There were no reports of serious incidents.

Prince Charles, accompanied by the Princess of Wales and members of the Australian and New South Wales governments, later stood atop a naval ship in mid-harbour to take the salute from 166 Tall Ships.

They were led by the Young Endeavour, Britain's bicentennial gift to Australia. But as the big ships sailed elegantly by – including one four-masted 330-footer from Japan, another from Poland, still others from Ecuador, Spain and West Germany – the affair quickly became a parade of water-borne revellers.

Hundreds of small craft joined the crowded sail-past, cheering and waving. It was a potent reminder of the drawing power of the royal couple in Australia.

Last night, the city was treated to an 88 gun salute and a 20-minute firework display which ended with a breathtaking illumination of the Harbour Bridge, still Sydney's major landmark.

The revelry continued well into the early hours. As the festivities came to an end, people agreed they had seen nothing like it before, and were unlikely to see such a day again. That would be a pity, for, despite the collective hangover likely to descend on the country today, most would agree it was worth it.

Austrian arms sold to Iran, ex-chief says

BY JUDY DEMPSEY IN VIENNA

MR PETER UNTERWEGER, the former general director of Noricum, the state Austrian arms company, said yesterday that it had sold weapons worth up to Sch4bn ($338m) to Iran, violating a law that forbids the sale of arms to countries at war.

At the same time his lawyer, Mr Alfred Thewanger, said Noricum concluded an arms deal with Tehran worth Sch7bn but only Sch3bn to Sch4bn worth of business was carried out. Both men were speaking to the Austrian Press Agency.

Voest-Alpine, Noricum's parent company, declined comment on the statements before the release at the end of the week of its internal inquiry into the arms scandal. The supervisory board of Voest-Alpine is due to have an emergency meeting on Friday to consider the inquiry's findings.

Mr Unterweger, who was dismissed from Noricum in March 1985 and detained by police for questioning between last September and December, said a deal involving the sale of 140 artillery guns, plus munitions, was arranged with Iran in 1984.

Voest-Alpine denied the allegations when they surfaced in the press last September, saying that the company had "never knowingly sold arms to Iran". But on Monday Dr Herbert Lewinsky, the chairman of the group, said company inquiries had "hardened the suspicion" that the allegations were well-founded.

Mr Unterweger said that in 1984 the financial situation at Noricum's plant at Lietzen was "catastrophic" and he feared job losses. He implied that arms sales to Iran might have eased the crisis at the plant.

Voest-Alpine has been made huge losses over the past few years, with an estimated loss of over Sch4bn for 1987. Mr Unterweger made a statement on the affair to an investigating judge in the northern city of Linz on Monday. It is not clear if or when he will face charges.

The Austrian media alleged in September that the Noricum weapons which reached Tehran had been diverted from Libya.

The Austrian Government did acknowledge supplying weapons to Libya until the middle of 1984.

When asked if he would say during his trial who told him to make the sales and who had placed the orders, Mr Unterweger told the newsagency:"I won't name names or give details now or later for my own personal safety."

Bonn and Prague keen to improve links

BY DAVID MARSH IN PRAGUE

WEST GERMANY and Czechoslovakia yesterday declared interest in improving economic and technological links, spreading into areas such as reactor safety and the environment.

On the first day of an official visit to Prague by Mr Helmut Kohl, the West German Chancellor, spokesmen for both sides hailed the warmth of talks between the governments but left open practical details about future co-operation.

The two governments yesterday signed an agreement setting up common rights for use of waterways in both countries, above all affecting navigation on the Elbe and the Danube. This will be of particular importance when the Rhine-Main canal is opened in the 1990s, enabling barges to ply between the North Sea and the Black Sea.

Mr Kohl sidestepped direct reference to the Czech dissidents' movement, Charter 77. The Prague Government's restrictive treatment of the movement has raised criticism from Bonn.

Mr Kohl's main talks yesterday were with Mr Lubomir Strougal, the reformist Czech Prime Minister, whose position in Prague has recently been put in doubt. A more important test of future relations will come today when Mr Kohl becomes the first Western leader to have talks with Mr Milos Jakes, appointed as Czech party chief in December.

Only one hour of talks between the two men is, however, scheduled today, underlying Mr Jakes' cautious approach to his new job.

At a dinner last night for Mr Kohl, Mr Strougal hinted at Czech impatience over economic links when he said more had been discussed than carried out in the past over economic co-operation.

Mr Strougal also brought up the long-standing Warsaw Pact suggestion of a zone in Central Europe free of both chemical and nuclear weapons. Bonn has consistently opposed the idea because it believes this would expose the West to greater dangers from the Soviet Union's superior conventional forces.

On industrial links, Mr Ivan Kulhanck, the Czech Foreign Ministry spokesman, said yesterday that the Volkswagen car group was discussing co-operation in motor engines with Skoda, the Czech car-maker.

FAO under more fire

Continued from Page 1

Educational, Scientific and Cultural Organisation (Unesco) at the end of 1985.

Britain will inform Mr Edouard Saouma, the 61-year-old Lebanese who was re-elected last November as FAO director-general for an unprecedented third six-year term, that "it is not going to be in a position" to find the funds "at the moment" for Britain's subscription, which fell due at the first of the year.

Britain will, instead, give priority to other ways of funding policies to increase agricultural production and alleviate famine in Africa and other parts of the developing world, particularly through bilateral aid.

However, it was stressed in London yesterday that Britain did not intend to go into semi-permanent arrears as the US has done.

The delay in paying the annual contribution would not be extended beyond the end of this year, though the same soft-pedalling tactics could well be used later if the radical reforms requested by the FAO's industrialised members are not implemented.

In postponing its contribution, Britain will be joining one of the least exclusive clubs within the organisation.

More than 40 members are in arrears on their 1986-87 contributions to its $437m budget, led by the US, which owes more than $67m out of total membership arrears of some $92m.

Britain's attitude towards the FAO is, to say the least, ambiguous.

Unlike its dismissive view of Unesco, which the UK Government accused of mismanagement as well as dilettantism, it does not look upon the FAO as "a waste of time."

The organisation's substantial contribution to the modernisation of agriculture in developing countries and to the fight against famine is recognised in London.

However, Britain has become increasingly exasperated and has proposed the introduction of modern management methods

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	F	12	[illegible]	Malta	F	18	64	Rhodes	F	16	61
Algiers	S	21	70	Edinburgh	C	5	41	Manchester	F	7	45	Rio de J'o	S	34	93
Amsterdam	C	7	45	Faro	C	16	61	Manila	S	33	91	Rome	F	16	61
Athens	C	14	57	Florence	F	14	57	Melbourne	S	22	72	Salzburg	S	8	46
Bahrain	S	19	66	Frankfurt	C	8	46	Mexico City	S	24	75	San Francisco	S	10	50
Bangkok	S	33	91	Funchal	R	16	61	Miami	F	15	59	Seoul	S	-1	30
Barcelona	S	15	59	Geneva	F	5	41	Milan	Fg	3	37	Singapore	F	30	86
Beirut	R	16	60	Gibraltar	C	16	61	Montreal	C	-7	19	Stockholm	Sn	-1	30
Belfast	F	6	43	Glasgow	R	6	43	Moscow	Sn	-14	7	Strasbourg	S	8	46
Belgrade	F	12	54	Guernsey	R	8	46	Munich	F	18	[illegible]	Sydney	S	23	73
Berlin	C	5	41	Helsinki	S	-6	21	Nairobi	[illegible]	[illegible]	[illegible]	Taipei	C	19	66

The Thatcher treatment

Continued from Page 1

Thatcher and her senior colleagues was, until very recently, to leave any fundamental restructuring of the NHS until a possible fourth term of office after the next election, which is not due until 1991. All this has now changed, with a major shift in priorities to put the NHS at the top of the political agenda only decided upon in the past few days.

The announcement – during a BBC TV Panorama interview on Monday night – followed several weeks in which the British Government has been on the defensive in face of daily television news reports of ward closures, an open revolt by a growing number of doctors and threatened disruptive action by nurses.

There had been a growing volume of complaint by ministers and Tory backbenchers about the need for a political lead. Hence Mrs Thatcher's initiative, coupled with her best parliamentary performance on the issue in weeks, was warmly welcomed yesterday by Conservative MPs: "The chaps in the Tea Room and the Smoking Room like it," according to one senior Tory official. The pattern is familiar, and indeed Mrs Thatcher herself has drawn a parallel with previous reconsiderations of education, housing and local government finance. First, problems are highlighted by particular incidents and hardship cases – such as the teachers' strike or the financial squeeze on some health authorities. Then the whole focus of media and political attention turns on the area and underlying weaknesses are debated.

At first the Government appears to be dithering – denying that the solution lies in any more public money. However, Mrs Thatcher and her advisers encourage the airing of free-market solutions, such as opting out of local authority control by schools, which were previously regarded as politically taboo.

Mrs Thatcher announces a wide-ranging internal review, and radical solutions gain acceptance, at least within the ruling Conservative Party, in response to public frustration with the existing position. The final stage is the bringing forward of a detailed plan and legislation.

The health debate is now moving from frustration and the airing of ideas to the announcement of a review. The process will not be random. Mrs Thatcher may not have a dogmatic ideological position, but she does have firm values, favouring greater private provision and against a monopoly by current state authorities.

Like the debate of the past two years leading up to the current education reform bill Mrs Thatcher is having no truck with time-consuming Royal Commissions or other long-winded reviews.

There are so far two key differences. Each change in the past has involved a new minister and more money. But Mr John Moore, the Social Services Secretary, is now being given the chance to do the job. Many ministers and Tory MPs believe that more money will be needed in the transitional phase – to fund the restructuring of nurses' pay and to ease the problems of hard-pressed health authorities.

The episode demonstrates both the strengths and weaknesses of Mrs Thatcher's style of government – the initial uncertainty in response to crisis, departments waiting for a lead and then a decisive initiative leading to radical change.

Historians may see recent events as the carefully contrived creation of an opportunity to restructure the NHS. But to participants, and current observers, Mrs Thatcher's latest move looks more like a rushed attempt to regain the political initiative.

Writer's silence costs £20,000

By Raymond Hughes in London

MR JEREMY WARNER, business correspondent of the London daily newspaper, the Independent, was yesterday fined £20,000 by a High Court judge for refusing to reveal his professional sources to inspectors from the government's Department of Trade investigating suspected insider dealing.

Under the 1986 Financial Services Act, Mr Warner could have been jailed for up to two years for what in law is regarded as equivalent to a contempt of court.

However, Sir Nicolas Browne-Wilkinson, the Vice-Chancellor (senior judge of the High Court Chancery Division) decided that, although it was a serious case, because of the circumstances – which included Mr Warner's genuine conscientious objection – it would be inappropriate to send him to jail.

Such a course, the judge said, would be more likely to create "a martyr." Sir Nicolas emphasised that journalists were not above the law.

"Parliament in a democratic free society lays down what is the law. Journalists are no more entitled to say 'I will not comply because I do not agree' than anyone else," Sir Nicolas warned.

Throughout the case Mr Warner took a stand on what he regarded as his professional right and obligation as a journalist to maintain the confidentiality of his sources.

Part of his case, argued from the High Court up to the House of Lords, was that, if the principle of confidentiality was not maintained, the free flow of information to newspapers, and thus to the public, would be diminished.

After yesterday's ruling the inspectors, Mr John Lindsay, QC, and Mr Peter Crozier, an accountant, who had claimed that Mr Warner was a vital witness in their investigation, refused to comment.

Although technically they could continue to press Mr Warner for his sources – which would mean him facing further punishment if he maintained his refusal – they are thought unlikely to do so.

The court heard yesterday that they had delivered an interim report on their inquiries to the Trade Secretary on January 20. The report will not be published, the court was told. The Independent, which has supported Mr Warner throughout, has said it will pay the fine and the estimated £100,000 costs.

Mr Warner said after the hearing that he was "relieved" not to have been jailed. He felt that the principle for which he had risked imprisonment had been upheld.

But, he said, he believed that most journalists publishing information received in confidence would give their sources the guarantee that they would go to jail before revealing the sources' names.

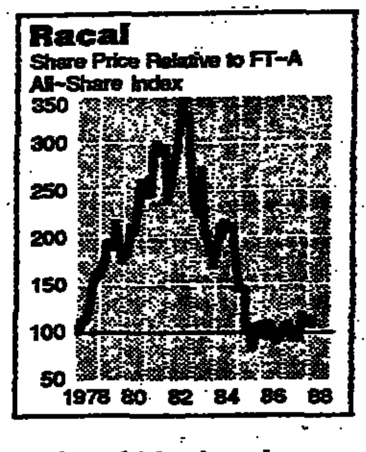
THE LEX COLUMN

Half speed ahead at the CBI

The CBI's first quarterly survey since the crash is not all good news, but it presents a brighter picture than last week's official data. Manufacturing industry seems relaxed about prospects for output – exports apart, naturally – and with surplus capacity at an historic low point, investment intentions are at their most robust since the recession. This need not, of course, rule out gloomier things to come; the new capacity planned in the late 1970s arrived just in time for the slump of 1980-81. But the picture still seems consistent with an orderly slowdown throughout this year, with perhaps a pause at the year end reminiscent of 1985.

The gilt market, which still yearns for a recession, reacted logically yesterday by falling back a point or so. Equities, by contrast, were unmoved. This could reflect a touch of scepticism about the predictive powers of British industry, but the market is not feeling very farsighted itself just now. Taken with the stolid response to bad news last week, it does seem that the market would do anything at present rather than take a decision.

The mood may not be sustainable for long, if only because volume has now sunk to desperate levels not seen since before Big Bang. Beyond a certain point, overheads alone mean that to sit still is to make losses. Before long there could be a decisive break out of the present range of 1750-1800, and there is no telling in which direction. It could depend on whether the focus is on the slowdown in growth or on the fact that growth is there at all.



Fleming/S&P

There are several reasons why Robert Fleming's purchase of the minority of the shares in its Save & Prosper unit trust operation makes sense. The most obvious is that it is buying full control of one of the UK's biggest and most respected unit trust groups at roughly half the price paid only five months ago when Britannia Arrow bought NatWest's unit trust business. The comparison looks even better when account is taken of the inevitable shrinkage in the NatWest funds post-crash. In addition, it reinforces Fleming's position as the second biggest UK fund manager after the Pru, and makes it an even bigger player on the international fund management scene.

While some of S&P's managers may have once harboured dreams of floating their group on the stock market at some heady multiple, those days are over for now. The combination of a no-redundancy pledge, extra capital backing and some obvious economies of scale at a time when the unit trust industry is preparing itself for a period of markedly slower growth, will have convinced all but the foolhardy that life inside a rather old fashioned merchant bank has its points.

Fleming's undoubted investment skills should help ensure that the overdue recovery in S&P's performance continues. However, the absence of any prospect of a stock market quote could hurt S&P's ability to "incentivise" its more greedy money managers. And given that merchant banks tend to be more concerned about protecting their image than independent fund managers, life inside Fleming could dull S&P's innovative edge in an industry where the innovators tend to be the winners.

Birmid/Blue Circle

Whatever Blue Circle's final bid for Birmid Qualcast lacks in industrial logic, it makes up for in terms of price. Even the staunchest believer in Birmid must admit that 380p – 90 per cent more than the pre-bid price – is fair, and that an exit multiple of 16 is high for a company with one toe still in the foundry business.

However, the descriptive passages of Blue Circle's final offer make less persuasive reading. No number of pie charts depicting the overlap between the two groups can disguise the fact that home products now account for less than 5 per cent of Blue Circle's operating profits. Neither is it immediately apparent what Birmid's lawn mowers can bring to Blue Circle's bathtubs. For all the talk about two related companies getting together to mutual advantage, the bid is really about one big company keen to weaken its uncomfortable dependence on cement. As an exercise in diversification, the move no doubt makes sense: as one of the strongest players in the large and fragmented home products market, Birmid would seem a good choice.

For Birmid, the coupling has fewer advantages. The company has built up a successful collection of strongly branded consumer products, and there is no particular reason to believe that more resources will mean better performance. However, if it wants to find a counter-bidder – and finding someone prepared to pay more than Blue Circle may not be easy – it had better hurry up. There was a sniff of victory about the ease with which Blue Circle was picking up Birmid's shares in the market yesterday.

Racal Electronics

Racal knows all about frustrated expectations. For the past five years, the company has managed to persuade the City that it would soon be making £140m pre-tax; each year the analysts have had to deflate their forecasts. This year may actually see the company hit the magic number – but only just, and only with a bit of luck.

Two days ago the City had been expecting closer to £150m for the full year. Yesterday's interims put paid to that, and Racal's share price fell nearly 7 per cent as analysts scaled down full year forecasts to a figure a couple of million pounds either side of £140m.

Granted, operating profit from telecommunications shows a geometrical progression from £97,000 in last year's first half to £17m in this, with £45m expected for the full year and £75m for 1988-89. This in turn is because the company is making money hand over fist from its Vodafone cellular telephone, a fact which seems only to highlight the poor quality of earnings in virtually every other area. Even the news that Vodafone's business had picked up by 18 per cent since the stock market crash failed to offset concern over non-telecomms operations. The group's security business is in trouble in North America; there are problems with data communications in Europe; the Third World is hurting the radio communications business; and at home, the MoD is squeezing margins on defence radar and avionics. All Racal needs now is for Oftel to decide its high margins on Vodafone are not in the public interest.

SECTION III

FINANCIAL TIMES SURVEY

WORLD MOTOR INDUSTRY SERIES

UK fleet car sales now exceed 2m, with manufacturers geared more than ever to market share. Fierce competition among specialist companies which provide fleet-related services is creating new types of contract on offer to car and truck users. **John Griffiths** reports.

Vehicle Fleet Management

Geoffrey Whalen, managing director of Peugeot Talbot, with Peugeot 405 models produced at the Coventry plant

Tony Andrews

Buyers spoilt for choice

UNEXPECTEDLY strong growth in fleet sales has emerged as one of the main factors in the UK new car market last year, exceeding 2m units for the first time.

Manufacturers' sales to companies operating 25 vehicles or more rose by 15 per cent to a record 542,785 units. This represented nearly 28 per cent of all new car sales, a rise of more than 2 percentage points on 1986.

With the average value of a fleet car purchase now widely estimated to be about £8,000, it is easy to see why manufacturers have been courting the fleet sector so assiduously lately. Last year's purchases represent a sales value of about £4bn.

Yet even these figures substantially understate the value to vehicle producers of the UK's business sector.

For when partnerships, one-man businesses and other companies in which vehicles are used essentially for business but registered in individuals' names are taken into account, the true figure is reckoned to be about 60 per cent of all new car registrations - according to estimates by Ford, Austin Rover, Vauxhall and others.

For a time after the Black Monday stock markets crash in October, it was thought in much of the motor trade and industry that one consequence would be a downturn this year in virtually all areas of the UK and other car markets.

However, while wider uncertainties about the dollar and US trade deficit remain, the continuing high level of UK company profits, a still-growing UK economy and the prospects of a benevolent Budget have been combining to dispel much of the gloom.

Motor industry analysts such as Prof. Garel Rhys, Professor of Motor Industry Economics at the University of Cardiff, say it is just possible that the total market this year will once again be around the 2m mark; with the companies and fleet sector making a similar contribution to volume as last year.

Without question, company buyers will be more than usually spoilt for choice this year.

Ford, Vauxhall and Austin Rover, which between them dominate UK business car sales with a combined share of about 90 per cent of the 25-plus fleet sector, will face additional competition on two particular fronts.

One is in the form of the Peugeot 405 saloon, voted Car of the Year in Europe and a rival for the fleet market - led by Ford's Sierra, Vauxhall's Cavalier and Austin Rover's Montego.

That it is being built at Peugeot Talbot's Ryton plant, at Coventry, alongside the smaller Peugeot 309, has led the French group's UK subsidiary to expect it soon to be placed on many companies' "approved list" of vehicles which may be chosen by their company employees - the now-ubiquitous "user-choosers."

The other competitor takes the shape of Nissan's Bluebird saloon, also a would-be "Sierra basher", production of which is being increased to 50,000 this year from 29,000 in 1987 at Nissan's plant at Washington, Tyne and Wear.

It is not only the vehicle manufacturers which are in hot pursuit of business sector buyers, however. A plethora of companies has grown up in the past five years specialising in the provision of vehicles, leasing and other services.

What is more, they claim to be capable of managing all aspects of user companies' vehicle operations more efficiently than the companies could do themselves.

The latest estimates are that well over 400 companies are now offering offer fleet-related services of one kind or another. These comprise mainly :

- Contract hire, in which the lessor provides the vehicles and meets (theoretically, at least) all the running costs right through to vehicle disposal, for an all-in monthly rental;
- Fleet management services; a now-loosely used term but which, in its strictest sense, entails the purchase or finance leasing of vehicles on behalf of a client, and subsequent tight control of operating costs in return for a previously-negotiated fee;
- The provision of ancillary services such as fuel cards and other back-up facilities.

The sector is a very fragmented one, with the vast majority of competing companies operating at a local or regional level. Even the biggest of the "majors" in the field, such as Lex Vehicle Leasing, Dial Contracts and Interleasing, are each estimated to have a market share of 5 per cent or less.

In the contract hire business in particular, much has been made in the past few years about the growth being enjoyed by the industry, with overall rates of anywhere between 5 and 25 per cent being quoted, depending on the source.

There is some doubt about how much of the claimed growth is real, and how much is existing business simply changing hands from one contract hire company to the other.

Nevertheless, figures from the 1988 Monk's Guide to Company Car Policy" - to be published in February - indicate that there have been some marked shifts by user companies away from outright ownership and in-house management over the past two years.

The guide shows that in 1987 some 58 per cent of large companies, those with a turnover of £200m or more, bought their cars outright, while 22 per cent used contract hire.

Some 38 per cent of medium-sized companies, those with a turnover of £50m -£200m, bought their cars while 28 per cent opted for contract hire, and 37 per cent of smaller companies opted for purchase, with almost as many - 36 per cent - opting for contract hire.

In its guide of two years ago, Monks showed 78 per cent of large companies buying outright (6 per cent opting for contract hire); 49 per cent of medium-sized companies (23 per cent contract hire) and 52 per cent of smaller companies (20 per cent contract hire).

Even the British Vehicle Rental and Leasing Association, however, is not really sure of the size of the contract hire and leasing market.

This is for the simple reason that it has to rely on its members to submit information, in the absence of any information of this type being required on the Department of Transport's vehicle registration document.

Yet even some of the best-known names do not make returns and there is an acknowledged tendency among others to tell what Mr Brian Mahoney, operations director of Kenning Leaseline and a former BL (now Rover Group) marketing director, calls "fishermen's tales" about the size of their individual businesses.

Criticising the industry from within, Mr Mahoney points to the wide spread of estimates about growth as an indicator that the contract hire business has yet to get itself into orderly shape.

"Such a divergence is wholly unsatisfactory for planning purposes and planning is just what the industry needs."

Given the trend indicated by Monks, he suggests, "industry is progressively divesting its responsibilities for its vehicle fleets and it is the responsibility of the contract hire industry to make the appropriate response. For this it needs official basic data and much better planning."

Other areas of the business are emerging in which the industry appears to be in danger of shooting itself in the foot in terms of its image:

Continued on page 4

CONTENTS

THE NEW PEUGEOT 405. TAKES YOUR BREATH AWAY.

The new British built Peugeot 405 was a success, even before the launch.

The gentlemen of the press, a hardnosed bunch if ever there was, have been effusive in their praise.

But will you be similarly impressed with this most original 4 door, 5 seater family saloon?

We sincerely hope so.

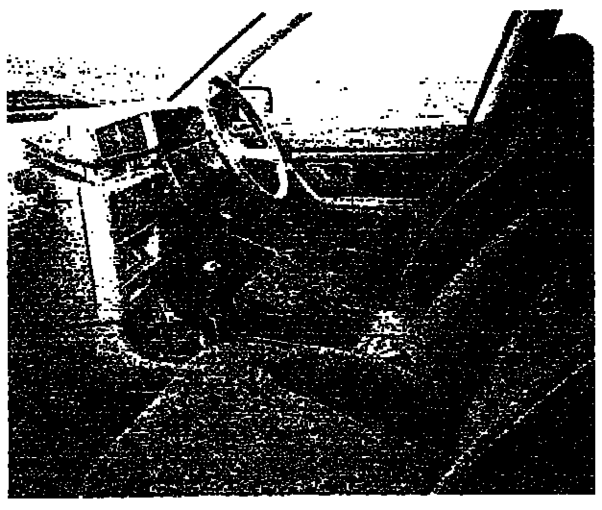
Perhaps the first thing to take your eye is that sleek body style.

No car in its class has a lower drag factor.

Wrap-over doors, the elimination of conventional drip channels, flush-fit bonded windscreen and rear window all conspire to reduce wind-noise and so improve aerodynamics. (Thus affording excellent fuel economy.)

Look closer and you'll find that the eye-catching design incorporates many smaller points, showing an almost obsessive attention to detail.

Like mounting the windscreen washer jets on the wiper arms. The spare wheel mounted under the boot floor, for easier access. The wide rear doors, for ease of entry. And a whole lot more besides.



Inside there's a tilt adjustable steering column. Remote control rear-view mirrors. Height adjustable front seat belts. Hinged radio cover. And a 'lights on' warning buzzer, all fitted as standard.

As you can see from the spacious interior, luxury too comes as standard.

With a wide selection of fine upholstery and carpeting combinations.

But to fully appreciate the 405, you really must get behind the wheel and drive it. For when it comes to handling, and performance, Peugeot have virtually cornered the market.

The all aluminium alloy, ohc engine, allied to a five speed box and much praised Peugeot suspension proves to be a potent combination. Making this a real driver's car.

While off the road (to think of such a thing!) the 405 is designed to spend an absolute minimum of time in the service bay. With a battery of labour and money saving features.

There are 8 models to choose from, with varying levels of specification, culminating in the top of the range, 124 mph GTX Injection.

Heralding a new era in car production, the 405 has just been voted 'European Car of the Year,' by a jury of respected journalists.

Obviously it took their breath away.

May we suggest you take a test drive and experience the sensation yourself?

PEUGEOT 405

THE LION GOES FROM STRENGTH TO STRENGTH.

FOR A FULL INFORMATION PACK ON THE 405 RANGE, CALL US FREE ON 0800 400 405 (24 HOURS A DAY)

هكذا عنه الأصل

VEHICLE FLEET MANAGEMENT 3

The Montego Vanden Plas automatic. Montegos, with Ford Sierras and Vauxhall Cavaliers, lead the intensely competitive fleet market

Car sales

Pitfalls in buoyant market

LAST YEAR was an exceptionally gratifying one for Ford in the UK business car market.

It was the year in which its Sierra model, the subject of "upturned jelly mould" and other uncomplimentary ugly duckling phrases at its launch, became the fleet car buyers' undisputed favourite.

Five Ford models, representing its entire range now that production of the Capri has finished, had places in the Top Ten list of best sellers bought by companies operating 25 cars or more - regarded as the mainstream fleet market.

Its 267,605 sales into this market increased from 224,995 in 1986, representing a share of 49.3 per cent, up from 47.8 per cent a year earlier.

In contrast, General Motors' UK cars subsidiary, Vauxhall/Opel, saw its share of the market fall by more than 3.5 percentage points to 24.2 per cent.

The fall was due partly to commercial factors. After Vauxhall's net loss of more than £64m in 1986, only the latest in a string of losses, the edict went out from GM that profitability was to be restored as a matter of urgency - even at the expense of losing some of the substantial market share gains Vauxhall had made since 1982.

Just before he left to take up a new GM job in his native Australia, former Vauxhall chairman Mr John Bagshaw confirmed at the end of last year that Vauxhall was on course to make an operating, and possibly net, profit.

But there has certainly been a penalty in terms of lost market share as Vauxhall has withdrawn from the financial incentives which had helped its progress in the market.

The sales setback was not confined to the fleets. In a total new car market which increased by 7 per cent to exceed 2m units for the first time, Vauxhall not only lost market share - down from 15.1 per cent to 13.5 per cent - but unit sales as well.

The particular buoyancy of the fleet market itself, which grew at a rate more than double that of the new-car market as a whole at 15.2 per cent, meant that Vauxhall did manage to increase its fleet unit sales marginally, to 131,160 from 130,575 in 1986.

But the gains came from its new Carlton/Senator executive car range and the Astra hatchback while what was once its fleet mainstay, the Cavalier, lost ground heavily last year.

Cavalier sales to the fleet sector fell by 6 per cent at a time when those of its arch-rival, the Sierra, rose by 29.8 per cent.

The trouble is that both fleet operators and the employees to whom they allocate cars are now well aware that Vauxhall's replacement for the Cavalier is due to be launched before the end of this year. And with the now prevalent practice of companies allowing their employees and directors to be "user-choosers" who may select their model from a short-list of, usually "British"-badged cars, the current Cavalier's popularity inevitably has declined.

An obvious question arising from this is how far Vauxhall can allow its sales to retrench, pending the arrival of the new Cavalier, before it feels obliged to take remedial action in the market in the form of some type of financial incentive?

Even more disconcerting, if the pessimists who believe the car market will be starting to turn down at the end of this year are proved correct, will Vauxhall have to give incentives even on the new Cavalier in order to recoup ground lost to rivals whose positions are likely to strengthen further during the course of this year?

In short, could the UK new car market, and particularly the fleet sector, be heading for a revival of the disorderly marketing practices which have done so much to sap manufacturers' profits in recent years but which, over the last 12 months or so, have abated?

Mr Arthur Way, motor industry analyst with the Economist Intelligence Unit, has suggested that the risk of this happening is now quite real, based on his forecast that the total UK market this year will decline to what he says is its "natural" level of about 1.85m units.

Others are more optimistic, not least on the grounds that so far there is not the slightest sign of new car demand weakening. On the contrary, in the opening ten days of sales in January, registrations were a further 15 per cent ahead of the equivalent year-ago period.

Even the Society of Motor Manufacturers and Traders, which is usually conservative in its forecasts, has suggested informally that total sales could once again hover around the 2m mark this year.

Both Mr Bagshaw and his successor at Vauxhall, Mr Paul Tosch, have stated firmly that Vauxhall has no intention of "buying" sales again. And Mr Geoffrey Whalen, managing director of Peugeot's UK subsidiary, Peugeot Talbot, says he believes, or rather hopes, that manufacturers have "learned their lesson" about the financial consequences for their long-term health of disorderly marketing.

Mr Whalen's views have particular significance this year, for it marks the start of an effort by Peugeot to penetrate the heart of the UK fleet market with its 405 saloon range.

Because the car is built at Ryton, where its production is adding about 1,000 jobs this year, Mr Whalen expects the 405 to gain a place on the approved lists of company purchasers, and many suspect that his estimate that the 405 could capture 2 per cent of total UK sales is a conservative one.

Rover Group, which reported a record net loss of £892m for 1986 but is expected to announce an operating profit for last year, also appears unlikely to fire the first shots in a discount war.

And this is not only because chairman Mr Graham Day, like Vauxhall, is also much more concerned to make profitable sales than obtain volume for volume's sake.

The statistics for last year reveal a long-sought upturn in the fortunes of Austin Rover, the UK State-owned cars group, in the fleet sector. Its share increased by more than 2 percentage points to reach 16.6 per cent from 14.8 per cent.

Unit sales rose to 90,070 from 67,690, with much of the rise accounted for by a jump in sales of the Rover 200, built under licence from Honda, to 19,000 units (from 10,755). But the Montego also increased its unit sales and the Rover 800 is gaining increasing acceptance.

The fleet market itself expanded by more than 70,000 units to reach 542,780 compared with 471,000.

This growth in part reflects last year's record total new car sales increase to a record 2.013m units from 1.89m in 1986. However, the share of the total taken by fleet sales also grew, to 27.1 per cent from 25 per cent.

The statistics highlight how little penetration of the fleet market proper has been made by all other would-be competitors outside the Big Three. And that applies as much to Peugeot/Talbot as anyone.

Even though, like most other companies, it can claim correctly that its sales to small business users account for a valuable proportion of its sales, its penetration of the 25 cars-plus fleets sector last year was still only 2 per cent. Renault was first of the "also-rans" with 3 per cent, Fiat had 1.2 per cent and Audi/Volkswagen 0.9 per cent.

A measure of the task facing Nissan, which is increasing production of its Bluebird model in the UK to 50,000 vehicles this year, is that its share last year was just under 0.9 per cent, or 4,755 unit sales.

John Griffiths

Aggregate size of local authority fleets (England and Wales)	
County councils England)	28,184
County councils(Wales)	2,928
All county councils	31,112
London boroughs	12,761
Met. boroughs/ cities	16,797
All met. bor oughs	29,558
Dist. councils(England)	29,833
Dist. councils(Wales)	4,516
All district councils	34,349
TOTAL	95,019

Cars remain a key pay perk, says **Bill Packer**

Tax rules are still generous

THE PROVISION of fringe benefits for company directors and higher-paid employees in a tax-efficient form is still a significant part of the current thinking of both employers and employees on how a pay package should be structured, in spite of government exhortation and pressure through the tax system to do differently.

In this context the company car is probably still the most popular and most visible ingredient.

An employee is defined as "higher paid" in this context if he or she earns more than £8,500 pa. Here remuneration includes not only salary, commission and bonus payments, but also brings in "benefits in kind," valued as if the employee were higher paid, and any expenses, irrespective of whether they are taxable because he gets a personal benefit from them.

The only deductions allowed for this purpose are for those expenses covered by a dispensation obtained by the employer and for pension schemes. Directors are generally caught by these rules irrespective of their level of remuneration.

Employees who are not within these definitions are unlikely to get caught by the benefit in kind rules provided that certain elementary precautions are observed. An important one is that the provision of a car should not be in substitution for salary.

To put it another way, the employee should not be able to claim an increase in salary if he gives up his company car. Other considerations may apply if the vehicle concerned is not a car - for example, a van.

The present regime for taxing the provision of company cars for directors and higher-paid employees is based on the concept of the "scale" or "table benefit." This lays down that the value of the taxable benefit of the provision of a car to an employee is to be determined by a scale depending on the car's size, cost and age.

This scale is normally adjusted annually; the amounts applicable for the tax years 1987-88 and 1988-89 are shown in the table.

No adjustment is made for business mileage, except:

- Where the business use is less than 2,500 miles a year the scale benefit is increased by 50 per cent;
- Where the business mileage is 18,000 miles a year or more the scale benefit is reduced by 50 per cent.

Adjustments to the scale figures are also made where the car is off the road for a material period and where more than one car is provided. Not surprisingly, the scheme extends to cars provided for the use of members of an employee's family.

This scale applies only to the provision of a company car and therefore covers the benefit of depreciation and expenses such as leasing, repairs and maintenance, insurance and licences.

All these expenses should be deductible by the employer in accordance with normal tax principles except that some adjustment may be required where the car costs more than £8,000.

A separate scale applies where petrol for private use is supplied by the employer. Again this depends on the size and cost (but not age) as shown in the table. A 50 per cent reduction for high business mileage (18,000 miles a year or more) is given as above, but no increase is applied for low business mileage.

Where an employee makes some contribution for his private use of the car this is deducted from the scale figure in arriving at the amount on which he is actually taxed. However, no adjustment is made for any contribution for private petrol unless either:

- The employee is required to make good the whole cost of the petrol taken for private use and actually does so; or
- The employer only provides petrol for business use.

It follows therefore that to be tax effective any contribution by employees should be related to the provision of the car only and not be in respect of petrol.

It will be appreciated that the actual cost to the employee is income tax at his top rate on these scale amounts after any allowable contributions.

In the last few years, the scale charges have been increased by 10 per cent each year, more than twice the rate of inflation, and this does raise the question as to whether this particular "perk" is any longer tax efficient.

Obviously much depends on the size of the car and the mileage, but looking at the case of an individual running a 2 litre vehicle, for an annual mileage of 10,000 the latest available AA figures set the annual overall cost at £4,007.

For the current year 1987-88, the total scale charges would be £1,300; at a marginal rate of tax at 50 per cent, this would actually cost the individual £650 in tax, so that there is evidently still a substantial saving here.

On the other hand, it is possible that for an individual with a low private mileage the cost in extra tax, particularly on the petrol scale, could exceed what it would cost out of his own pocket.

If this is the case it may be appropriate to consider some other arrangement.

So far as employers are concerned, an added problem and an added cost in relation to private petrol supplied to employees has now been brought in the form of Value Added Tax.

With effect from April 6 1987, the Inland Revenue petrol scale is also to be used for VAT purposes, though only by reference to engine size.

The amounts laid down in the scale will be treated as VAT-inclusive and the employer will be required to account for output tax accordingly. The amounts prescribed are shown in the second table.

The scale charge is reduced by 50 per cent where the business mileage exceeds 4,500 a quarter (corresponding of course to the income tax threshold of 18,000 miles a year). However if the employee pays a larger amount by way of contribution for private petrol, this is to be taken as the measure of the tax-inclusive supply for VAT purposes.

One important difference between the VAT and income tax treatments must be emphasised. The VAT scheme applies to all "business" cars, not just to those used by directors and higher-paid employees.

Thus the new scale will apply to cars used by non higher-paid employees as well as to those already within the scale charges for income tax purposes and this must be taken into account in the company's VAT records.

On the other hand, this broader VAT treatment does not affect the income tax position of individual users.

Bill Packer is National Tax Technical Director of chartered accountants Touche Ross.

Income tax 1987/88 and 1988/89 (£s)

	Cars Under 4 years old 1988/89	1987/88	4 years old or more 1988/89	1987/88	Car petrol 1987/88 and 1988/89
Cars with original market value up to £19,250 and having a cylinder capacity:					
1400 cc or less	580	525	380	350	480
1401 cc–2000 cc	770	700	520	470	600
over 2000 cc	1,210	1,100	800	725	900
Cars with original market value up to £19,250 and not having a cylinder capacity:					
less than £ 6,000	580	525	380	350	480
£6,000–£ 8,499	770	700	520	470	600
£8,500–£19,250	1,210	1,100	800	725	900
Cars with original market value over £19,250:					
£19,251–£29,000	1,595	1,450	1,070	970	900
over £29,00	2,530	2,300	1,685	1,530	900

VAT from 6 April 1987

Engine size	Quarterly scale £	Monthly scale £
Up to 1400 cc	120 (15.65)	40 (5.22)
1401 cc—2000 cc	150 (19.56)	50 (6.52)
Over 2000 cc	225 (29.34)	75 (9.78)

VAT at 15 per cent is shown in brackets

Company car policies

Small concerns go for contract hire

BRITISH BUSINESS spends more than £10m a year on its company vehicle fleets and about 2.5m executives are driving cars paid for out of company funds.

The use of a company car by British companies as a salary booster became more commonplace with the limits imposed on pay increases in the 1970s.

If the vehicles bought by the growing army of the self-employed are considered together with those of incorporated businesses, nearly 70 per cent of new cars are now paid for every year with a company cheque.

To judge by the sales pitch of the contract hire specialists, every business in the land should give up any attempt to run its own fleet and pay off its transport managers.

That many do hand over responsibility for operating their fleets is evident from the most recent statistics. But there remains a sizeable proportion who do not - even some who believe the contract hire salesmen have got their sums wrong.

One is Mr Philip Barnett, transport manager for the car, van and lorry fleet of Wolverhampton and Dudley Breweries, one of the biggest of Britain's regional brewers.

The near 300-strong fleet operates in an area stretching from Manchester to Bristol, centred on the company's two West Midlands breweries.

Mr Barnett has recently concluded an exercise to compare the costs of running his own fleet of cars and light commercials with those of contract hire.

"At the end of the day we worked out we could still run our car and light commercial vehicle fleet cheaper ourselves," he says.

But for every example of independence, the fast-growing contract hire industry comes up with a dozen satisfied customers. And it has the statistics to back up its claims.

In the past year, according to Monks Guide to Company Car Policy, the number of companies buying their own cars has fallen by six per cent, those using finance leases is down six per cent, and another 11 per cent have turned to contract hire.

In the same period there was a nine per cent decline in the number of vehicles bought outright, a two per cent rise in those acquired on finance lease and a seven per cent rise in contract hire.

Contract hire is nearly three times more popular with smaller companies (with sales of up to £50m annually), where 36 per cent use contract hire compare with 14 per cent in 1987.

Penetration has nearly doubled, to 22 per cent, in Britain's biggest companies, with sales over £200m a year. Research commissioned and collated by Hertz Vehicle Leasing across a wider sample predicts a ten per cent rise in contract hire fleets this year. The survey sees growth continuing at about eight per cent a year.

Colin McLean of Herz: companies open to financial risks

Hertz believes that in two years' time, contract hire will account for more than a fifth of the new vehicles sold to companies, with 27 per cent of total company fleets by 1990.

Despite what Mr Colin McLean, managing director of Hertz Vehicle Leasing, describes as the fifth dimension of Britain's fleet market, the doubters remain. They are, however, the doubters who form the target market for the industry.

Mr McLean says the preference for in-house fleets "leaves British companies wide open to the financial risks of poorly-run fleets.

"They lack knowledge of depreciation rates, maintenance and repair costs, and day-to-day running costs. "They rarely develop systems for effective monitoring of vehicle usage and have insufficient influence or experience in the vehicle market to win good prices at acquisition or disposal.

"And the fleets themselves may be unsuitable for company needs," he adds.

What marketing man in his right senses can resist the potential growth available for the forseeable future?

Mr Barnett of W & DB saw that for himself. "When we started asking for quotes, we literally became like the jampot attracting the flies," he says.

Emerging from knee-deep videos and literature in his office, he says one problem was to convert the sales pitches into language they could understand. And he describes how the financial director had taken home a leasing company's cash flow tables for the weekend.

"He came back saying the figures were all wrong," Mr Barnett says. "On comparative vehicles we worked out it was cheaper to do it ourselves," though he would not specify exactly how much cheaper.

But with a relatively large fleet, he says, the company does have negotiating clout with local vehicle suppliers and long experience of operating its mixed fleet, advantages which counter the arguments of the contract hire salesmen.

Contract hire's popularity appears to have increased in the past year with the impact of the Statement of Standard Accounting Practice (SSAP) 21, which became effective in April 1987. This insists that companies capitalise finance leases on their balance sheets.

Under contract hire the risks and rewards of ownership arecarried by the contract hire companies as lessors, and the lease classed as operational, so not shown on the lessee's balance sheet.

It gives the added benefit of allowing tight budgeting, because the cost is agreed in advance.

This aspect has attracted the British arm of a leading American bank to convert its 300-strong salesmen's and managers' fleet to contract hire.

Mr Willie Donald, regional personnel operations manager for Citibank Consumer Services, says contract hire has become a forward budgeting tool.

"It has also taken the big administrative task of buying and selling vehicles away from my department, allowing me to become a personnel manager rather than the company car manager."

And since Citibank is a foreign bank subject to the Bank of England's rules on capital ratios, the transfer also allows Citicorp, whose operations include Diners Club and Citibank Savings, to release more cash for consumers by taking the fleet off the balance sheet.

"In pure money terms the cost is about the same. The difference is in the organisation, where we have not cut out any staff but we are using them for different tasks.

"We have better management information and we are not tied up with buying and selling cars."

The leasing arrangement also puts limits on the amount drivers can spend when choosing their new cars. The limit always existed in Citibank, but enabled users to negotiate discounts locally and obtain higher-specification vehicles, which could become a source of internal friction.

Choice of vehicle is becoming marginally more limited, according to Monks' 1988 survey. In past years the number of companies in its matched samples which were prepared to allow users any choice of car had continued to rise.

This year the rise only applies, and even there only fractionally, to directors and senior managers.

The survey records a two per cent decline in choice for area sales managers and a four per cent fall for sales representatives.

Mr Tony Vernon-Harcourt of Monks Publications says a quarter of the sample of more than 200 companies surveyed was planning changes to company car policy.

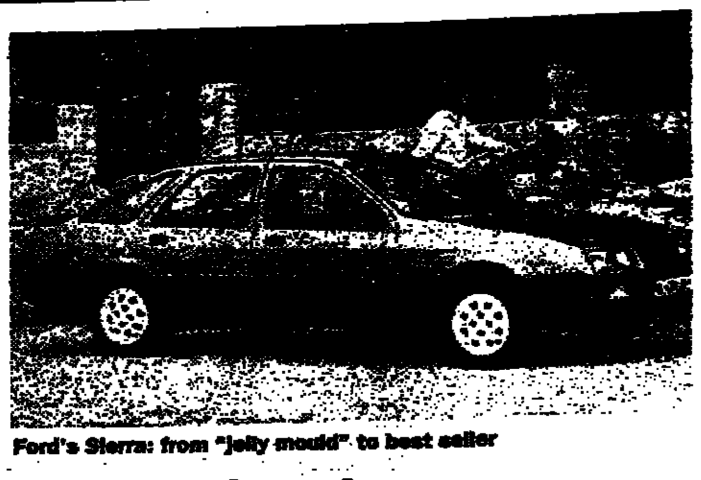
He says: "Half of those changes are likely to increase costs by extending the car perk further down the employment tree, and by giving a wider choice to car users.

"On the whole we find that those who are planning to relax their policy by extending the perk are usually more successful than those who toughen up.

Companies which have taken part in the survey for some years and which are included in the matched samples have significantly tightened up, and a few have reduced the sales representative's choice to a single vehicle. But more companies are allowing private petrol as a company perk.

"That perk now applies to roughly half the sales representatives," Mr Vernon-Harcourt says.

Graham Sidwell



Ford's Sierra: from "jelly mould" to best seller

Big choice

Continued from page 1

A prime selling point of contract hire is that its costs to the client company are known in the form of the fixed monthly rental. But a growing body of user companies has become aware, to its cost, of potential pitfalls which might only become apparent at the end of contracts.

For example, virtually all contracts have clauses under which charges can be imposed for damage other than "fair wear and tear" and which adversely affect a vehicle's resale value.

Yet interpretation of what is fair wear and tear can vary widely between hirer and user, with the inevitable suspicion by users that in some cases hirers who have miscalculated vehicle resale values - a prime factor in determining rentals - may be seeking to recoup their losses by other means.

The intense competition in the industry has led those within it to rack their brains to come up with new schemes, or adaptions of old ones, which might conceivably provide commercial advantage, however small.

For example, Swan National, the vehicle rental and leasing subsidiary of TSB, has just launched what it calls the Contract Purchase Scheme. Instead of contract hiring a vehicle, the user company buys it and Swan National subsequently operates it as if it were on contract hire. This enables all costs of operation to be allowable for corporation tax, whereas a proportion of contract hire rentals is not allowable, at least on vehicles costing more than £8,000.

The scheme also has advantages for some types of company, such as banks, which are unable fully to recover VAT.

Second, Caffyns, the vehicle distribution group, has launched the first of what it hopes will be a chain of High Street "shops" to lease cars to small business users who might not otherwise come into contact with the business, and even to private motorists;

The public sector, too, is the subject of increasing attention from some parts of the contract hire and leasing industry.

Transfleet, jointly owned by Lex Service and finance house Lombard North Central (itself a subsidiary of National Westminster Bank) has made a major target of the sector and accumulated a number of local authority clients under schemes in which it has bought each authority's fleet and leased it back to the authority.

Three Rivers District Council, which became the first local authority to contract hire its entire fleet in 1984, has just renewed Transfleet's contract for a further five years.

Such deals notwithstanding, a recently-completed study of about 150 local authorities (see inside article) concludes that as a body they are signally failing to capitalise on the "in-house" savings they could make if they were to co-ordinate their dealings with suppliers both of vehicles and associated services.

The BVRLA's statistics show that about 34 per cent of all company vehicles are either leased or are on contract hire and, not unnaturally, it expects the proportion to grow.

To that end, it has been lobbying the Government to improve the operating climate for the business car sector - not least by raising the £8,000 ceiling above which the cost of leasing a car is disallowed as a full deduction from trading income.

This ceiling was set at the end of the 1970s, and at the time affected only the more expensive "perk" cars of executives. However, inflation has now taken the vast majority of company cars above the ceiling - with the Government showing no intention of raising it.

Like home mortgage relief, this is another area of tax benefit the Government appears ready to allow to wither on the inflationary vine.

This is despite the fact that the ceiling is now proving "a major financial burden" to companies using leasing or contract hire, according to Mr Norman Donkin, a joint author of Monks guide and managing director of Lease Plan UK, which has set up a contract hire with option to purchase scheme to minimise the total tax burden.

Meanwhile, companies opting for controlling their own fleets continue to grapple with rising costs of both vehicles and services.

New car prices in the past year have gone up by well in excess of the rate of inflation, the latest New Year round of increases making most UK-produced cars between 7 and 9 per cent more expensive than 12 months ago.

However, for West German producers in particular, increases have been double this level, or even higher in the case of luxury and sports car producers, as the D-mark has strengthened.

The effect has been to increase the share of fleet business taken by the UK "big three" - Ford, Vauxhall and Austin Rover - at the expense of all other importers, only one of which has a share of more than 2 per cent of the mainstream fleet market.

Motor trade labour rates have risen roughly in line with inflation, according to a study by Cowie Group-owned Herondrive, except in the London area where rates have jumped by up to 30 per cent. Market leader Ford's average labour charge, at just under £16 an hour, was the lowest, with executive car franchises such as BMW and Mercedes charging averages of £22-£23 an hour.

Rising costs regardless, Mr Roy Foster, managing director of Gelco International, Manchester-based and unusual in having its 50,000-strong fleet split between both the fleet management and contract hire sectors, forecasts that the current year should be a buoyant one for both manufacturers and his industry.

But, he cautions, "that's about as far as anybody dare look out. Anything else, in the light of what's been happening in the stock markets, is sheer guesswork."

Monks Guide to Company Car Policy, Debden Green, Saffron Walden, Essex CB11 3LX.

Acquisition

Closer check on overheads likely

THE RECENT turmoil in the stock market and an associated greater degree of caution in the business world could soon start having an impact on the way companies acquire their vehicle fleets.

With the world economic climate looking decidedly more unsettled than was the case a year ago, organisations across the board are now likely keep an even closer check on administrative overheads and areas of expenditure.

Included in that costs review could be the operation of company cars and commercial vehicles, with particular attention being paid to methods of acquisition.

Still the most popular of those methods at present is outright purchase, using either the operating company's own cash or borrowed funds, but other options which could gain greater favour if companies become more cautious about spending cash include hire purchase, rental, financial leasing and contract hire.

Contract hire has been marketed heavily by service suppliers over the last few years and although growth perhaps has been slower than they might have hoped, more and more companies are now turning to contract hire for their car, van and truck fleets.

For the moment, though, outright purchase remains the favourite option for many companies, particularly when it comes to car fleets. According to industry surveys, more than half of all United Kingdom enterprises still pay cash outright for their fleet vehicles.

According to the 1987 Monks Guide to Company Car Policy, the figure for larger organisations is even higher, with about two thirds of companies with an annual turnover of more than £200m opting for outright purchase.

The perceived advantages of purchasing a fleet include lower financing costs and, for cash-rich organisations, flexibility in terms of vehicle choice and freedom of operation for the fleet.

Against that, there are a number of other cost factors which have to be taken into consideration, a point highlighted by Hertz Leasing in its 1988 "Hertz Report" on the vehicle fleet market.

"There are costs that are invariably overlooked or underrated. Chief among them is the impact on corporate cashflow - for outright purchase this is immediate and, in many cases, significant.

The company is thus deprived of liquidity that could otherwise be devoted to developing the business," the report says.

"Financing vehicle purchases through an overdraft facility, meanwhile, provokes equally negative conclusions. An immediate observation is that repayment terms for overdraft financing would not normally be constructed so as to reflect the high residual values of vehicles used over two or three years.

There would, in effect, be a disguised financial penalty for the borrower."

Although loan finance is now the most favoured form of borrowing for fleet acquisition, an alternative is hire purchase. If the deals involved are large enough, interest rates for hire purchase can be brought down to be pretty much in line with those for loans but for smaller acquisitions hire purchase rates can work out very high.

Hire purchase does, though, offer an automatic way of retiring loans over the life of the asset in question. For those companies which decide to seek an alternative to purchase when building up or expanding their vehicle fleets, one alternative is financial leasing which involves the lessee effectively paying a rental for vehicles which he never actually owns.

The rental pays the lessor's capital cost plus interest and profit over the period of the lease. As with loans and hire purchase, costs such as maintenance and insurance are retained by the lessee.

Other factors to be taken into consideration when considering finance leases were outlined in a report on the financing of commercial vehicle acquisition published by transport specialist British Road Services.

The report points out that although the lessor might make an estimate of residual value in working out the timing of rentals, the risk remains with the lessee. Once the assets are sold, the lessor would require a final rental equal to the discounted value of any unpaid rentals.

"When the sale proceeds are to hand, the lessor will give a rental rebate to the lessee, usually 95-99 per cent. Thus the lessee must fund the full cost of the asset and bear the risk of a lower residual value," the report adds.

Operating leases and contract hire are based on the lessor or contract hire company acquiring the vehicles, predicting the residual value of the vehicle at the end of the hire period and charging a rental which reflects the predicted depreciation over that period, the interest, the cost and the profit.

The single feature which marks out that method from other means of acquisition is the balance of risk, BRS says.

"Having paid the rental, the lessee under an operating lease will have no responsibility for a fall in the value of the leased asset, any licences or other standing costs or (subject to any special provisions) reliability in service. Those risks will be run by the lessor who undertakes to provide an asset in good working order, replacing it as necessary."

Contract hire is basically a form of operating lease which includes extra features such as maintenance, fuel and tyre costs, fleet management and even, in the case of commercial vehicles, the provision of drivers. Such arrangements can significantly reduce user companies' administration time and costs.

Other major advantages include the fact that vehicles acquired in that way can be financed off balance sheet.

Faced with having to pay at least £25,000 for a new truck and £10,000 for a trailer unit, together with their high maintenance costs, more and more companies are now opting to contract hire their distribution fleets.

According to the Hertz Report, the same is now happening in the UK business fleet sector where some 20 per cent of fleets are now being operated that way. That figure is predicted to grow to about 27 per cent by 1990.

The same section of the Hertz Report also shows a small but steady use of another form of business vehicle operation, fleet management, which currently accounts for about four per cent of the overall market.

The terms of fleet management contracts tend to vary but normally the company providing the fleet management service manages the cars on behalf of the user, pays the expenses and attempts to minimise the costs of their operations in return for an agreed fee.

The disadvantage for the fleet user is that he retains the two major risks, residual value and high maintenance costs.

A variation on the fleet management/contract hire theme is the "open calculation system" introduced in the UK by Lease Plan. Said to combine the benefits of both methods in one package, open calculation is like contract hire in that it precalculates the rental and charges the customer a budgeted monthly sum but also has fleet management features added in the form of efforts by Lease Plan to minimise running costs.

However, the most interesting feature of the open calculation option offered by the company is a form of profit share under which users receive any profits resulting from the eventual disposal of their cars or savings made in operating costs.

Recently, for example, Lease Plan customer S. Casket (Holdings), a Manchester-based clothing and knitwear group, received a refund cheque for £10,000, representing profits achieved through careful management of the company's car fleet, in respect of just 15 vehicles which came up for disposal during 1987.

Fitting in with all the other methods of vehicle acquisition is rental, an option which is particularly useful for companies experiencing seasonal upturns in business or other short-term demands, for example filling in the gap between the disposal of some vehicles and the acquisition of others.

Philip Hastings

Methods of fleet acquisition (%)

Company Turnover	Outright Purchase	Lease	Contract Hire	Mixed Methods
£200m+	66	11	14	9
£50-200m	46	21	20	13
Up to £50m	52	17	14	17
All companies	56	16	15	13

Source: Monks Guide, Company Car Policy 1987

Fleet operation by method

	1985	1986	1987	1988	1989	1990
Total fleet acquisitions (000s)	965	1,110	1,020	1,040	1,070	1,040
of which %:						
Purchase	66	65	63	62	60	59
Finance lease	14	12	12	11	10	9
Fleet management	2	3	4	4	5	5
Contract hire	18	20	21	23	25	27

Source: BVRLA Stats 1985; SMMT 1987, James Morrell Forecasts 1987; Harris Research; Hertz

In-house management

Fleets more efficient

THE DEVELOPMENT of increasingly sophisticated computer systems and packages is helping companies to manage car and commercial vehicle fleets much more efficiently.

Two key areas of fleet management now benefiting substantially from greater use of computerised systems are the actual monitoring/control of the vehicles themselves and, more particularly in the case of commercial vehicles, the planning of schedules and routes.

In some cases, different activities are covered by individual systems, but increasingly the emphasis is switching to systems and software package combinations which can cover a wide range of vehicle fleet operations.

Included in that are cars and commercial vehicles operated in-house and by outside contractors - the latter being a particularly important feature on the commercial side where companies often find that a combination of own transport and outside carriers is the most cost-effective way of running their distribution activities.

As far as the management of the actual vehicles is concerned, development of computer systems has come from three main quarters: computer software/consultancy organisations; major manufacturers who have developed systems for their own use and then subsequently marketed them outside; and companies specialising in offering contract, distribution, contract hire and vehicle leasing services.

Typical of the sort of package being developed by companies in the first category is the Delivery & Transport Management System (DTMS) software package distributed by Team User Systems Company of Colchester, Essex.

Developed in conjunction with international consultants Logistics Consulting Partners, DTMS is designed in four modules: vehicles, deliveries, carriers and workshop.

The core module deals with the vehicles, maintaining a register of the vehicle fleet and recording mileage by period, details of all expenditure on the vehicle and reports on asset values and age, MOT and service due dates, vehicle running costs, vehicle performance by type, operating location, cost centre and vehicle failure rates and causes.

The deliveries module records individual consignments, prints load sheets and load planning summaries, records vehicle payload capacity, reports on capacity utilisation by vehicle and reports cost per run, per unit and per drop.

Activities covered by the carriers module include reporting on carriers' cost effectiveness while the workshop module does the same for workshop operations.

Prominent among the major manufacturers to develop their own computerised vehicle fleet management systems is Allied Lyons through its computer and management services company, Allied AIMS.

The main fleet management product currently marketed by the latter is a package called Vehicle Cost Management System which is said to be able to cater for fleets of all sizes and combinations of cars, commercial vehicles and equipment ranging from "forklift trucks and fire engines to tractors and trailers and even power driven lawnmowers."

"The system's three main integrated categories, vehicle cost management, stores costs and management, and workshop control, are designed to give 'at a glance' information to transport managers on which to assess vehicle costs/performance, assist in scheduling preventive maintenance, and to aid management with measuring workshop performance," Allied AIMS claims.

"Complete vehicle profiles are maintained on the inventory, from which maintenance scheduling and reminder dates can also be generated. Repair information, using VMRS (Vehicle Maintenance Reporting Standard) codes, can be keyed in directly from job cards or interfaced from a computerised workshop system.

"Performance and operating costs can be analysed from any one of a range of cost parameters."

Similarly, Hertz Leasing has used its own experience with a wide range of vehicles to collect information for a computerised database which is said to be able to track vehicle operations with great precision and allow the company to construct a composite fleet norm, a yardstick against which to compare the history of particular fleet vehicles.

By drawing on that database, called SWEARS (Selective Model Wear Characteristics Report), company personnel can check the performance of repair workshops and service bays, isolate inconsistencies in invoices and other charges, and identify abnormalities in patterns of vehicle use which may stem from vehicle defects or employee abuse of company fleet guidelines.

Such a system of cost tracking, Hertz says, enables it to offer fleet users precise financial controls. Usage guidelines relating to model type, expected mileage and individual driver needs can be agreed at the start of a leasing contract.

That allows vehicles to be disposed of eventually at the optimum point for best resale prices.

In addition to computer-based systems designed help with the maintenance and running of vehicles, the last few years have also seen substantial growth in the development of systems to do the same for the operations run by those vehicles.

A wide range of packages is now available to help companies plan the routeing and scheduling of vehicles, for example, with some of them tied in with more wide-ranging computer-based operations covering the whole distribution function.

Among the latest routeing packages to come on to the market is InterRoute from the Redditch-based information technology company ISTEL. A computer-based road network system, InterRoute is designed to allow companies involved with distribution activities to calculate the most efficient routes for a particular combination of vehicles and deliveries.

ISTEL claims that, operationally, the new system provides an accurate calculation of costs involved in delivery from point to point, while strategically it can evaluate the effect of changing fleets or size or location of depots by enabling the user to calculate cost differences in vehicles collecting from, and delivering to, facilities further afield.

ISTEL says that recent testing of InterRoute had showed, for example, how one company could achieve a reduction of £100,000 in contractors' rates over three months.

In a similar vein is the TRANDOS vehicle scheduling and routeing software package now being marketed by Surrey-based P-E Consulting Services for use by retailers, wholesalers, manufacturers and transport specialists involved with distribution operations.

A particular feature of TRANDOS is its speed of operation. According to P-E Consulting, the system can produce schedules involving more than 50 routes and 200 drops in four minutes using a standard IBM AT micro computer.

The system can also produce detailed reports showing the cost of routes, taking into account driver and vehicle costs. Any last-minute change to the routes made by the scheduler will result in an immediate change to the costs shown on the screen.

Meanwhile, the London-based software house, Kingswood, is marketing a package called WhichWay which can produce an individual vehicle route within seconds using a large network (22,000 road sections and 14,000 junctions) on an IBM personal computer or compatible machine.

It displays the route on screen, highlighted on a map, and gives information for on-the-spot route planning and costing. Another area of development likely to prove of increasing interest to fleet operators is the use of computer-based systems to actually track "live" the whereabouts and status of their vehicles.

Philip Hastings

Fleet management/contract hire

A daunting range of packages

Part of the Manchester-based Data Express fleet, which is on contract hire

THE EXECUTIVE charged with selecting a company to organise a fleet of cars for his business faces a daunting range of choices.

In a young, competitive and fast-growing market, the spread of services is immense. Packages incorporating any number of options can be tailor-made precisely to meet a company's requirements and administrative or accounting arrangements.

More than 400 companies offer contract hire or fleet management services. None has a market share of more than about 5 per cent, although recent years have seen considerable re-grouping within the industry.

Such a fragmented market offers a wide range of company types for prospective client to choose between. But generally they fall into three different categories.

First are the contract hire and vehicle fleet management companies that operate nationally. These offer the advantages of considerable experience and clout with manufacturers over prices and deliveries and over garages for repairs.

Typically the number of cars they supply each year runs into several thousand. The big names include Swan National Leasing, Hertz Leasing and Cowie Group, probably the largest group, which includes Interleasing, Heron Drive, and Marley Vehicle Leasing.

Second are the numerous smaller companies serving local areas. Many are based on car dealerships and rely on selling on their forecourts the cars that have completed contracts.

With the residual price one of the major determinants of monthly costs, the small companies can frequently undercut larger rivals. But the drawback is that back-up services such as breakdown assistance may be limited to a local area.

In the third category are businesses associated with car manufacturers such as Renault. Usually these will supply only cars they make and at the very least have an obvious bias. However, the special relationship with manufacturers that all car fleet companies boast of is undisputed in this category.

Inevitably, quality varies from company to company but minimum standards are set by the British Vehicle Rental and Leasing Association of which the the majority of contract hire and most fleet management specialists are members.

Prices differ according to the method of calculations and types of packages on offer. Mr James Goddard, secretary of the BVRLA, recommends companies seeks several quotes from a selection of companies.

He says the industry is growing strongly – particularly contract hire – but it remains well managed. Good self-regulation is important as the main selling point are the tax and other cost savings of contracting out.

"It is basically run by accountants and bankers and therefore they are very keen to watch the pennies," Mr Goddard says.

Different types of companies are best served by different types of packages. Cash-rich companies, for instance, are likely to find the outright purchase of car fleets, backed up by fleet management services, more cost-efficient.

Figures from Monks Partnership, the independent renumeration advice company, show differences according to the size of companies. Its 1988 guide to car policy about to be published shows that 58 per cent of large companies (with a turnover of more than £200m) operating a car scheme buy cars fleets outright, while 22 per cent use contract hire.

In medium-sized companies (£50m to £200m turnover) the proportion buying outright falls to 38 per cent while contract hire rises to 28 per cent. Of small companies (less than £50m turnover) 37 per cent buy outright and 36 per cent use contract hire.

Mr Tony Vernon-Harcourt, one of the report's authors, says: "If you are a big company and running a fleet of perhaps 1,000 cars, then it is worth actually employing somebody to control maintenance costs or to monitor a fleet management specialist."

"What the small companies are after is knowing what the costs are and not having the problem of having to sort out maintenance and so on. It is not worth them employing somebody in-house," he says.

In fact, contract hire and vehicle fleet management specialists are prolific report writers. Communication with clients is usually on a weekly or monthly basis in the form of a rundown of the cost performance of individual cars within a fleet including, sometimes, fuel consumption.

The range of services on offer is vast. Most companies take pride in working to a shopping list of required services supplied by clients rather than offering a set menu of options.

"It is not like buying things of a shelf," says Mr Len Clayton, commercial director at Swan National Leasing, of the range of services his company offers. He advises assessing specialists according to how well they address themselves to the need of clients in areas such as tax savings and breakdown service.

"That will distinguish good operators from the large mass of very ordinary and pedantic operators," he says.

The different services on offer from vehicle fleet management and contract hire companies cover the life and times of a car almost from factory to scrapyard.

Buying cars on behalf of companies is a basic service. Cars can be often be bought from across the range – from Minis to Rolls-Royces. Alternatively, some will help draw up and administer rules for companies to restrict certain types of personnel to a particular range of cars.

A purchase and leaseback deal will convert an existing fleet owned by a company into a contract hire package and realise cash for investment elsewhere.

Standard maintenance programmes can be organised either on the basis of a fixed monthly payment or a fee that varies according to work needed. These can be supplemented by breakdown and accident schemes.

Again there is much variation. At the top end of the range there are packages that include 24-hour vehicle recovery, the provision of relief cars and priority treatment at garages.

A range of fuel card systems options is available. Some are based on schemes operated by oil companies, others are run independently. Additional services include a complete range of insurance policies and even a service for paying unpaid parking fines.

Finally, contract hire and fleet management companies will arrange to dispose of cars after a pre-determined number of months – most often about three years – and replace them with a new vehicle.

In a fierce market, clients benefit from the rivalry between contract hire and vehicle fleet management specialists where higher quality service gives companies a competitive edge.

Ms Amanda Powell, marketing manager at Herz Leasing, which serves the car fleets of some 400 companies, says: "Flexibility is vitally important. But it is fundamentally a management attitude, not just the ability to offer a number of 'off the shelf' contract permutations."

Ralph Atkins

Brian Lofts: open-minded about buying more cars

Profile: Marks & Spencer

A review of policies

ALTHOUGH THE most visible signs on the roads of Marks & Spencer's presence as one of the UK's leading retailing groups are the liveried trucks that move its goods about the country, none of these vehicles is operated in-house.

All are owned and operated by independent contractors such as Christian Salvesen, Fashionflow, BOC and Tibbet and Britten.

However, for its fleet of private vehicles, Marks and Spencer first opted for contract hire more than 20 years ago; and now every one of its 1,400 company cars is operated under a contract hire agreement, with the exception of 15 executive cars for main board members, which are bought outright.

There is no simple answer to why this should be, according to Brian Lofts who manages the fleet with his assistant Diane Swift.

He intends to review all the company's acquisition and operating policies during the course of this year, and will be looking to see if there might be advantages in contract hiring the executive cars too, in buying more cars, or in adopting some form of fleet management scheme.

"Clearly we have to be aware of movements in the marketplace, not just of new models becoming available, but also of the way in which we ought to be running our fleet.

If after the survey we found we could save £500,000 by buying more cars – provided it didn't mean we would have to employ more staff to run the fleet – then we may take that step. But right now we have a completely open mind."

Mr Lofts took over responsibility for company cars just under a year ago, and his brief is to look at all aspects of the fleet to take the company efficiently into the 1990s.

The M&S policy was to "buy British," but he has extended this to take in the European makes. "To retain and attract the best people, we have to offer cars as part of the overall remuneration package, and for that package to be attractive it helps if you can offer drivers the cars they want."

All the contract hire cars are supplied by three specialist companies – Kenning Leaseline and Lex Vehicle Leasing, with whom M&S have been dealing for about 20 years, and Interleasing, which joined the fold two years ago.

"We use three companies purely to ensure an element of competition," Mr Lofts says. "We choose contract hire because we feel the rates we are getting are very competitive, and until we have had time to appraise further the advantages of alternatives methods of running the fleet, we are very happy to stick with the situation as it is.

"The overall level of service from our three supplying companies is very high."

The policy at M&S is to provide drivers with peace of mind, so the company chooses a very complete contract hire package, including the provision of replacement cars where necessary.

The company pays for full AA membership, including Homestart, for all drivers and their spouses, so they are covered whatever cars they are driving, at home and at work.

Further, Marks and Spencer insists that every company car is fitted with ABS braking when it is available.

"As a company, we are extremely safety conscious, and we believe ABS is a dramatic improvement which can and does save lives," Mr Lofts says. The company has also fitted all cars with rear seat belts for years.

Of the cars, 23 per cent are "work" vehicles, while the rest are perk cars. Vehicles used a lot on business tend to be operated under two-year, 40,000 mile contracts, while others are retained for three years or 40,000 miles.

Board cars are changed every couple of years, by which time they generally have between 50,000 and 70,000 miles on the clock.

Company policy is to offer the maximum possible choice for drivers within the eight different grades of car. Grades are arrived at not from purchase price, but from the price the company pays the leasing companies – which reflects running costs and residual values too.

Drivers are encouraged to take an interest when making their choices, and the company has invited staff to two test days, one at Brands Hatch, in conjunction with Citroen.

"Drivers loved the opportunity to view the whole range and to appraise the cars for themselves," Mr Lofts says.

Other driving days are now planned, with Citroen and Austin Rover, and he also hopes that manufacturers will show new cars, on the day they are launched, in the M&S car park.

Martin Derrick

هكذا من الأصل

Left: Volvo articulated tipper truck. The main growth in sales of heavy trucks is among companies in contract haulage, contract hire and leasing, with liveried fleets owned by outside specialists. More and more end-user companies are withdrawing from outright ownership of their vehicles.

Right: Long wheelbase version of the new Ford Transit. Sales of the Transit, market leader in the vans sector, have been helped by full production at the Southampton plant.

Truck market

Strong recovery among heavies

DESPITE truck manufacturers' pessimism earlier in the year, 1987 showed a 7 per cent rise in sales, above 3.5 tonnes gross, to 57,940 units, with the strongest recovery evident at the heaviest end of the market.

Registrations of articulated tractors for use above 29 tonnes gross increased by 17.6 per cent to 14,520 units.

Though the trend cannot be quantified, it is clear that the buyers responsible for the main growth in heavy truck sales are mainly contract haulage, contract hire and leasing concerns.

The tendency for end-users to withdraw from outright ownership of the vehicles they run continues, despite the acknowledged upturn in the UK economy being reflected in greater transport activity.

Britain's major supermarket chains such as Sainsbury and Tesco typify the trend, their expansion into new areas of the country being served almost entirely by fleets - liveried in the retailer's colours but owned and operated under contract by outside distribution specialists such as NFC and UCD (Unigate).

Volvo of Sweden, many of whose lighter trucks are built in Belgium and with some heavier models assembled in Scotland, emerged with a clear 1987 calendar-year market leadership despite having been overtaken on a "technicality" earlier in the year when DAF of Holland gained control of Leyland Trucks, pushing the merged company to the top of the heavy sales league table.

However, since the March 1987 merger, supplies of the heaviest Dutch-built DAFs have been disrupted by a model change, with the introduction of the 95-series which has just won the 1988 Truck of the Year award. Registrations of heavy DAF tractor units fell from 1,800 in 1986 to 1,545 last year.

Leyland sales in the same sector also declined, from 1,355 to 1,120 - a loss of market share attributable in the view of truck market observers to a withdrawal of dealer support by the manufacturer, in other words a sweeping reduction in the discounts sanctioned when Leyland was owned by the UK Government.

In contrast, the other merged truck producer, Anglo-Italian Iveco-Ford, increased the penetration of both its artic marques, above 29 tonnes. Registrations of Iveco tractors rose 56 per cent, to 819 units, while for their Ford Cargo counterparts (newly available with a 290hp Cummins engine), the equivalent increase was a spectacular 166 per cent to 530. Heavy Cargo tractor sales almost matched those of MAN (539 units).

Apart from Leyland and DAF (together and/or separately) every heavy tractor producer increased its sales in absolute terms, though with varying performance in market share terms.

The last remaining all-British heavy truck builder, ERF, made a particularly strong resurgence in sales - up from 1,176 to 1,702 units in the 29 tonne-plus artic sector - reflecting the technical acceptance and price competitiveness of the Cheshire-based company's new E-series truck range.

ERF reports keen interest in its products from erstwhile Leyland buyers whose instincts are to support a wholly-British manufacturer. Such fleet operators are able to specify the same Cummins or Perkins engines and Fuller gearboxes, for which their workshops are equipped

In another key weight sector, for maximum-weight, two-axled chassis, the size of the UK market expanded by 6.7 per cent. The growth might well have been much greater but for the inevitable reluctance of fleets to buy at a time when an increase in permitted weight is in the pipeline.

On April I, four-wheelers will be allowed to run at an all-up weight of 17 tonnes, against 16.25 tonnes at present. And while most chassis sold in recent months are technically approved for 17 tonne working, administrative complications prevent their being accepted automatically in April for operation at the higher weight.

Of the gains and losses in the 16-17 tonne sector, Volvo's advance from a 9.3 to a 13.5 per cent share, as the Belgian-built FL6 chassis came into production, is notable. Volvo's 1,467 registrations nevertheless failed to match the 1,557 of its arch-rival in the heavy four-wheeler sector, Mercedes-Benz.

Leyland, DAF and Ford Cargo sales were little changed, year on year. But availability of a more powerful engine in French-built Iveco chassis enabled the marque to lift registrations (impressively in percentage terms) from 154 to 395.

For the British manufacturer ERF, there was gratifying success in 1987 with its E6 four-wheeler which has received unreservedly enthusiastic reviews from the transport press and from operators. In a sector where ERF has generally occupied an "also-ran" position, E6 registrations moved up from 238 to 511, giving the company an unprecedented 5 per cent market share, close behind Scania of Sweden and well ahead of Iveco (taken separately from Ford), and MAN.

Demand for the heaviest trucks which can be driven by an ordinary car driving licence holder, grossing 7.5 tonnes, remains buoyant. Last year registrations increased by 9.5 per cent over 1986, to 15,420.

During 1987 the progressive disappearance of Bedford - a phenomenon which now promises to be reversed following the acquisition of General Motors' supposedly-doomed UK truck interests by industrialist David J Brown - injected a new element of competitiveness to the sector.

Annual Bedford 7.5-tonner registrations declined by 1,482 units, to 557. Year-end figures suggest that Iveco-Ford's cargo range captured the biggest share of lost Bedford sales: 1140 more 7.5 tonne Cargos were sold in 1987 than in the previous year to notch up a 41 per cent market share, advancing from 37 per cent.

Leyland-DAF also shows signs of having captured worthwhile 7.5 tonne business from Bedford, its 1987 Leyland Roadrunner registrations having risen by 697 to 3,430 units - a 22 per cent sector share.

In third place behind Iveco-Ford and Leyland came Mercedes-Benz, the leading importer, at 7.5 tonnes, with a 25 per cent rise in registrations at 2,596 units.

The total includes 393 of the German company's new short-bonneted 811D chassis which, apart from the Renault-Dodge 50-series (of which 118 were sold last year), is unique in its weight class in offering "hands free" entry for multi-drop distribution drivers via a cab door and wide step behind the front wheel arches.

Taking the 3.5 tonne-upwards truck market as a whole, Leyland-DAF as a joint company failed to hold on to the 28 per cent summated share of sales enjoyed in 1986 by what was then two separate companies.

Supply constraints on the Dutch products and more realistic pricing of Leyland chassis led to a small decline to 22.4 per cent, enabling Iveco-Ford to overtake and surge into the lead in the closing months of the year, grabbing a 22.9 per cent slice of the overall truck market.

Alan Bunting

Vans

3.5 tonners demand up

FLEET PURCHASES of vans and light trucks in the weight sector up to the 3.5 tonnes gross threshold (above which legislation imposes Operator's Licence and tachograph restrictions) advanced by just over 8 per cent, year on year, in 1987.

Registrations reached 236,555. The most noticeable increase in demand was for vans and chassis at the heavier end of the 1.8 to 3.5 tonne sector, typified by market leader Ford's Transit range.

Here, annual registrations surpassed those for 1986 by 10.6 per cent, at 125,585, excluding pick-ups and four-wheel-drive utility vehicles such as Land-Rovers.

Full production of the new Transit at Ford's Southampton plant was achieved for the first time through a full calendar year in 1987.

This ability to supply, and a demand boosted by the new Transit's commendable freedom from teething troubles, helped Ford to increase its market share from 29.0 to 36.2 per cent, with a total of 54,685 registrations - the best for the Transit since 1980.

Significantly, the growth in Transit sales was half as much again more for diesel than for petrol-engined models, reflecting the potent appeal of Ford's direct-injection 2.5 litre diesel's fuel economy.

Freight Rover - now part of Leyland-DAF - held on to second place, though a long way behind Ford, with a 13.4 per cent market share for its Sherpa models. Again the availability for the first time of a fuel-saving (Perkins) direct-injection diesel engine helped to attract cost-conscious buyers.

Sherpa registrations, about 3 per cent down overall, nevertheless advanced by more than 50 per cent in the diesel category.

The gain in percentage market share, between 1.8 and 3.5 tonnes, by Ford's Transit range came at the expense of all its main rivals.

Although Freight Rover, Renault and Mercedes all recorded more registrations in 1987 than in the previous year, in each case their percentage market share, together with that of Bedford, Volkswagen and Nissan (the leading Japanese importer) fell.

Sales of microvans have been boosted, with more vehicles imported from Japan

Bedford's share following the withdrawal of the CF - at one time the Transit's number one challenger - dropped from 10.2 to 6.4 per cent. General Motors' only contender in the sector is its Midi van, now being built at Luton as a joint venture with Isuzu of Japan.

Under Bedford's other Japanese licensing agreement, with Suzuki, for microvans - exceptionally narrow but "tall" forward-control vans of about half a tonne carrying capacity - came on full stream towards the end of 1986. This helped to boost total sales of micros, including Honda, Daihatsu and Subaru vehicles imported complete from Japan, by almost 30 per cent last year, to 13,210 units.

Many first-time buyers who helped swell microvan sales in 1987 were inevitably former users of car-derived vans of similar load capacity. The switch in allegiance goes some way to explaining the relatively modest growth in car-derived van sales of some 5.3 per cent, to 110,970 vehicles.

Again Ford has strengthened its position by more than 3 percentage points as market leader, through increased sales of its Fiesta and Escort vans. Addition of the smaller Escort Combi model, comprising essentially the three-door estate car with filled-in side windows, has broadened Ford's market coverage,

Interestingly, a year or so previously, Bedford introduced its Astramax van with hinged doors and higher roof to meet the mainstream competition for a "serious" car-derived load carrier from Ford Escort and Austin Maestro purpose-designed vans.

Among the car-derived van contenders, only Rover group (market share down 3 per cent to 17 per cent) and the Japanese saw a sales decline last year. The beneficiaries were Ford (market share now 30 per cent), Bedford (25.6 per cent), Peugeot (5.27 per cent) and Renault (5.07 per cent).

Availability of the more fuel-efficient Perkins direction-injection diesel in the Maestro has not helped sales, suggesting that buyers of car-derived vans tend not to cover the sort of high mileages where fuel economy is a paramount selling feature.

Alan Bunting

Part of TNT's delivery fleet

We don't make company cars.

We make superbly engineered cars.
We make fuel efficient cars.
We make aerodynamic cars.
We make cars incorporating the very latest technology.

(We, more often than not, invent the technology.)
We make cars people want to drive.

We make cars people look after.
We make cars valued above their price.
We don't make company cars.
We make cars the pride and joy of companies. That's the difference.

Audi

FLEET SERVICES

AUDI VOLKSWAGEN FLEET SERVICES, 95 BAKER STREET, LONDON W1M 1FB TEL 01-486 8411

The public sector

Large market that is yet to be tapped

MANY COMPANIES within the vehicle fleet management and contract hire industry have long felt vaguely that another large, possibly valuable, market for their services could probably be found in the UK separate from their usual industrial and commercial clients.

Yet so far only a handful of companies have made a selective push for the potential business represented by the public sector, in the form of local authority fleets made up of everything from mayoral Daimlers to dustcarts.

One reason for the relative neglect of this sector has been uncertainty about its precise size and characteristics.

However, a much clearer picture has now emerged in the form of a joint study* undertaken on behalf of a group of local authorities with strong motor industry constitiencies, in conjunction with the Institute of Local Government Studies at the University of Birmingham.

Far from simply outlining more clearly a target at which the "fleet management" industry might aim, it is regarded by its compliers as a means by which local authorities can improve substantially their efficiencies from within.

And in that respect, it offers little comfort to the specialist management and hire industry, suggesting that in reality it has little to offer.

The research was intendded specifically to identify the overall scale of local authority vehicle purchasing; the strategies and methods employed in purchase and maintenance; and, as a consequence of the research, recommend policy guidelines which could be used by local authorities in the future.

After a six-month research programme, ending in the middle of last year, detailed data was acquired from 116 local authorities, providing what was felt to be a representative, 25 per cent sample of country, metropolitan borough and district councils.

It was not acquired without difficulty, however. Some London boroughs refused to co-operate and Harvard business school graduate Dr Steve Tolliday, who compiled the report, suggests that where the survey covered the structures and practices of local authorities, "there is clearly a problem that the replies may well be biased towards the better organised and efficient councils."

But Dr Tolliday concludes that estimates of the sizes of fleets run by the different types of local authority have a high degree of accuracy.

Thus the various local authorities in 1987 had a combined fleet of nearly 100,000 vehicles of all types on the roads of England and Wales alone (the study did not cover Scotland). The figures also exclude vehicles run by most police forces, fire brigades, health and education authorities and central government -the Inner London Education Authority alone runs 1,100 vehicles - "hence the total fleet owned by local public authorities is considerably larger," Dr Tolliday concludes.

Excluding these extra categories, he calculates that each year the local authorities between them acquire 13,000 vehicles of all types, spending about £200m on the purchases.

About 27 per cent of the authorities' combined fleet is calculated to have been replaced in the past two years, a figure believed to be fairly representative over a longer time-scale.

Of particular relevance to the contract hire and leasing industry, whose few ventures into public sector business to date have mainly involved lease-back (the local authority sells its fleet to the specialist company, and leases them back), is the fleet composition:

Vans and light pick-ups comprise by far the single element in most fleets: 37 per cent for counties and metropolitan boroughs and 53 per cent for other local authorities. Cars account for only 10 per cent of the former and 5 per cent of the latter.

The authorities are concluded to be conservative buyers, over-concerned with price and not concerned enough with quality. "Notably, LAs have been responsible for keeping an outdated vehicle like the Dodge 50 truck in business long after superior alternatives were available," the study observes.

But just as some manufacturers have been slow to take the local authorities seriously, so the LAs themselves have been slow to recognise their coherence as a sector and their potential ability to make demands on manufacturers for better products and services, Dr Tolliday says.

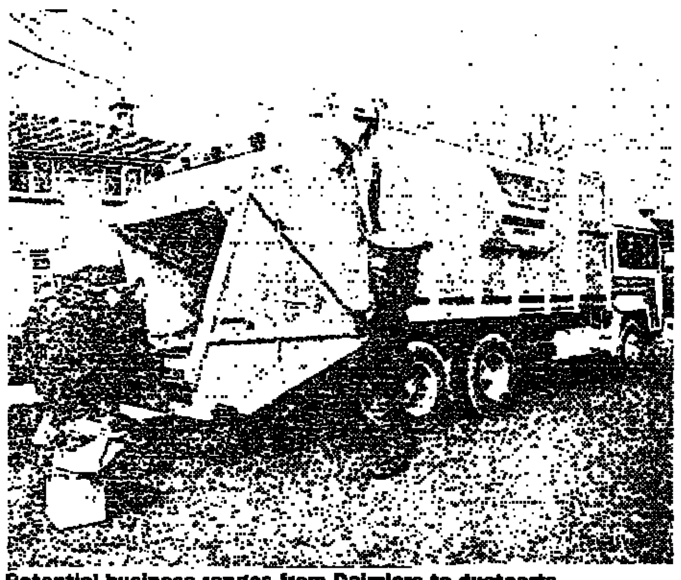
The survey indicates that many local authorities still have fragmented and under-developed purchasing and management systems, and need more professionalism among their transport management.

Co-ordination of spare parts purchasing between authorities to gain increased bargaining power with suppliers is suggested as just one example of how efficiencies might be increased.

"LAs have done little to co-ordinate their needs on a broad scale and to constitute themselves as an attractive and aggressive market," the study observes. "As a result, many manufacturers orientated to LA markets have become complacent."

It is critical of the way local authorities conduct their vehicle management in many other areas, not least the complex and varied tendering rules under which many acquisitions are made and which are seen as being responsible for "much delay, complication and frustration.

"It will be necessary for many councils to draw up revised and simpler tendering procedures and standing orders as part of any programme of fleet management reform."


Potential business ranges from Daimlers to dustcarts

Doubtless to the dismay of the contract hire industry, the survey concludes that the attractions of contract hire as an alternative to in-house ownership and management are limited:

"Contract hire has so far spread only slowly in the LA field but it is pressing hard. It offers apparently attractive advantages, but more detailed analysis shows that all of the advantages offered by contract hire can be obtained by well-run in-house operations and that there are areas in which in-house provision has major advantages, especially if allied to greater inter-municipal co-operation."

Despite this coolness towards the external provision of vehicles and maintenance, some local authorities have found areas in which, they believe, contract hire can be applied with advantage.

For example, Solihull metropolitan borough council has about 600 employees classified as essential or approved casual car users. These can operate a car under a contract hire agreement with Austin Rover Finance, subject to making their own contributions to cover private use. These are deducted from salary.

The authority says it believes that run this way, cars at least can be provided at no on-cost compared with outright purchase and maintenance by the authority itself.

"Public Sector Purchasing of Motor Vehicles. Department of Local Government and Development, University of Birmingham, J G Smith Building, PO Box 363, Birmingham B15 2TT. Price £6.50.

John Griffiths

Profile: British Telecom

Europe's largest single fleet

BRITISH TELECOM operates a fleet of vehicles which is almost certainly the largest in Europe managed by a single company, and therefore devotes considerable management effort to the undertaking.

Its fleet, totalling 68,000 vehicles, is varied in type, size and application, ranging from standard saloons to heavy commercials and even rough terrain vehicles such as Snowcats.

The whole operation is handled within the company.

BT's Motor Transport Executive, managed by Mr Peter Mitchell, employs 3,200 people and provides transport services to the various BT divisions under contract, ensuring competitive pricing. The executive is structured as a contract hire company and operates on that basis.

Mr Mitchell says the executive was required to break even on its overall activities and has done so since 1984 when it was formed to take over the running of the transport operation.

The largest part of this is the 320 workshops, spread over the country to provide service facilities for BT vehicles, which employ about 2,800 people.

In addition to the head office, there are nine regional offices and 46 service control centres, which control workshops and typically look after about 1,400 vehicles.

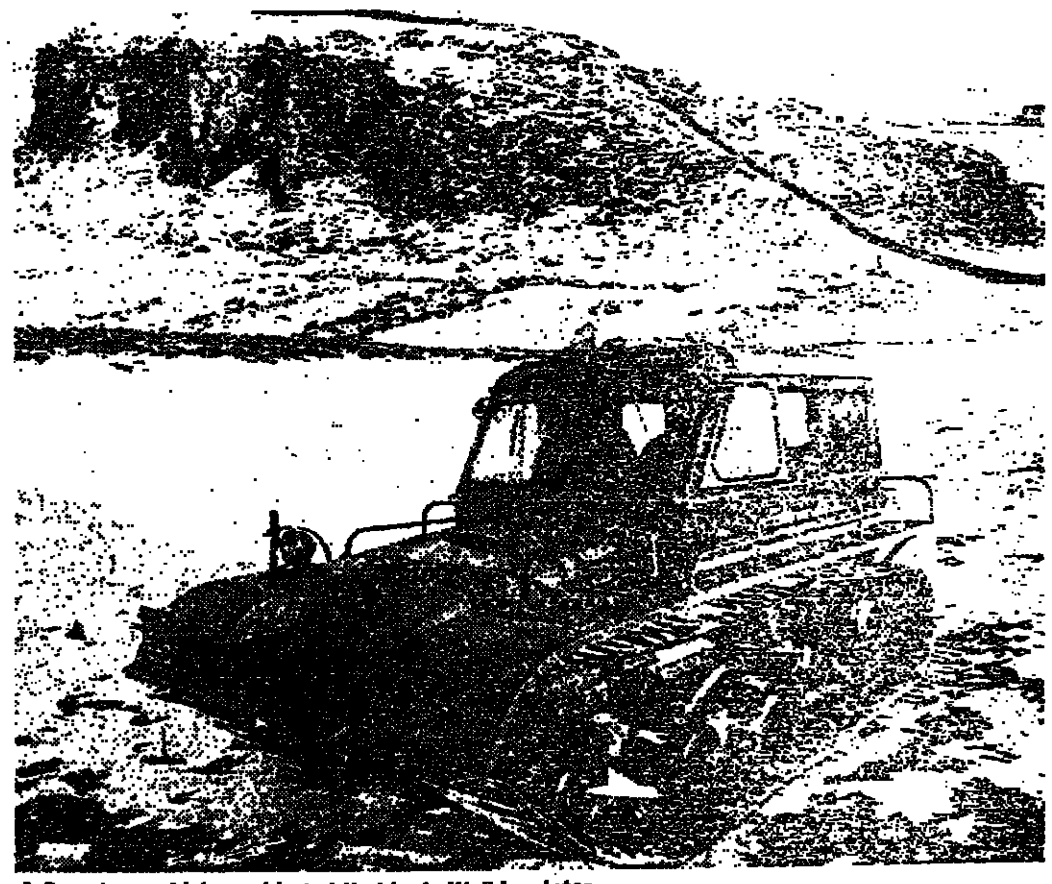
While there are some reciprocal servicing arrangements with the Post Office which go back to the days before BT was formed, and with police and ambulance services, most of the workshops do only BT work.

Mr Mitchell says: "Ours is not a typical fleet since the use of most of our vehicles is somewhat unusual. The vans are really used as mobile toolboxes, and mileages are below average."

BT engineers normally try to carry out a day's work in a particular area, travelling short distances between calls. Utilisation of drivers, not the vehicles, is the important factor, he says.

As a result, vehicles of this type now average about 7,000 miles a year and are bought "off the shelf" from the manufacturers, with some modifications. This so-called "yellow fleet" is in the 300 to 1,000kg payload range, and BT at present has about 50,000 of them on the road.

These vehicles are spread over three weight categories: nearly 25,000 in the 300 to 500kg range, nearly 20,000 up to 750kg, and nearly 8,000 up to 1,000kg. The lighter weight vehicles are supplied mainly by Austin Rover, the middle range by Ford and the others by Dodge, Ford and Leyland.


A Snowtrac vehicle working at Hadrian's Wall in winter

Up to 11,000 new vehicles are bought outright each year, with BT able to exercise considerable bargaining power on the manufacturers because of the numbers involved.

Direct purchase has been regarded as the most cost-effective option, in view of the extensive servicing facilities operated by BT.

Disposals are carried out through car auction companies, with good prices being obtained generally owing to the low mileages involved. Vehicles are depreciated over six years and are usually sold with less than 45,000 miles on the clock.

In addition, auctions are regarded as suitable because of the large numbers of vehicles involved.

Most BT vehicles are modified on some way, such as the inclusion of a bulkhead behind the driver, a ladder rack and other minor changes, but this appears to have little effect on residual values.

Heavier BT vehicles are generally standard, with some body modifications carried out by specialist companies, and these are replaced about every 10 years. Some of the special units, such as those used for pole erection, are kept even longer, since their usage is comparatively low.

BT also has a fleet of about 5,250 cars used by managers and sales staff, which are also bought outright and disposed of by auction at 50,000 miles or three years. These are mainly British-badged cars, from Ford and Austin Rover.

Data on these vehicles is computerised, with computer links to the BT workshops, so that overall costs can be monitored closely. Mr Mitchell says that more sophisticated management methods, such as whole life costing, are now being examined.

BT is committed to a big training programme to ensure that its workshops are as efficient as possible. These are regarded as an important asset in providing vehicles for the company at competitive prices.

While about £40m a year is spent on acquiring new vehicles and considerable advantages are gained by dealing direct with motor manufacturers, BT believes that its major advantage is through its efficient servicing and repair of its vehicles in its own workshops.

BT is examining ways of improving efficiency even further in this area, and will continue to make changes in the structure of its workshop network throughout the country to make the best of the resources.

Lorne Barling

هكذا منه للأصل

Martin Derrick on the company-car policy of Colt International

Contract for a total package

Personnel director Brian Cowtan (right) with site services manager Steve Skelton: "The economies are appropriate"

UNTIL THE late 1970s, Colt International used to buy its company cars. When it realised that the cash tied up in vehicles could be put to better use elsewhere within the company, it switched to flexible leasing.

Then in the early 1980s, when industry in general slimmed down and looked rather harder at sub-contracting non-core business services, Colt turned to contract hire from Birmingham-based Autolease.

Colt International's business is the design and installation of heating, ventilation, and fire protection systems. In the UK, it operates just under 200 cars and light commercials and, according to personnel director Brian Cowtan: "Everyone who gets a vehicle does business journeys. The majority do quite high mileages and so at most no more than two dozen could be described as perk cars."

In switching to contract hire, Mr Cowtan's intention was to find a complete fleet acquisition and management package so that Colt would not have to employ any additional staff to run the fleet.

In the same way that the operation and day-to-day management of the staff restaurant and of the office cleaning service were being put out to sub-contractors, so it seemed to make sense to sub-contract all aspects of running the fleet.

"Also, at that time contract hire actually became a little cheaper than flexible leasing, so we made the change." Initially contracts covered 40,000 miles but this was later increased to 50,000 and then again to 60,000 miles "because the economies are appropriate to us."

Time does not come into the equation; vehicles are replaced only when they have covered the specified mileage. On average, Colt's vehicles are changed every 2½ to three years, because annual mileages average between 22,000 and 23,000.

Just over half of Colt's company car drivers are given some form of user choice, limited by maximum engine capacity and a maximum monthly rental. Drivers are allowed to pay extra for more highly-specified vehicles if they wish, but the choice is also restricted to what is described as UK source manufacturers - chiefly Austin Rover, Vauxhall and Ford.

At the moment there are no Peugeots or Nissans in the fleet "but that might change in the future." Cars made in a country where a Colt subsidiary exists, or which "contains a high level of British components" may also be authorised, but there are probably no more than half a dozen such vehicles in the fleet.

Whether cars are allocated, or whether there is an element of user choice depends upon both annual mileage on company business and job position. The 45 per cent of drivers whose cars are allocated may choose only the colour they prefer.

Currently all the allocated cars are Vauxhall Novas, Astras or Cavaliers. However, Mr Cowtan has decided to switch the allocated cars to Ford in 1988 "because they have become more popular with the drivers and because they are fractionally better on maintenance and slightly better onresiduals at the moment.

"We are looking at these things all the time because we are spending around half a million pounds a year on rentals in the UK from a total turnover of £22m - which is quite a high proportion."

Though Colt rents its vehicles under a standard contract, some minor amendments have been made in the last couple of years.

Previously, salesmen covering high mileages would be given a replacement vehicle after 48 hours if their own were off the road for any reason.

That was something for which Colt paid extra, but the company had that option removed when it discovered that in practice replacement vehicles were rarely required and it was cheaper to hire replacement vehicles when they were needed.

However, though Colt does have standard contracts, Mr Cowtan makes the point that his company's good relationship and understanding with Autolease is an important aspect ofthe overall fleet management strategy. "The whole idea of opting for contract hire is that you can reduce your own staff to an absolute minimum; but if you find yourself having any aggravation with your supplier then you've destroyed the whole point because you end up having to get involved with administrative work in-house anyway."

"Checking other companies, it is always possible to find someone prepared to under-quote for contract hire business. But we feel it is better to pay a small premium for a better level of overall service and especially for an element of flexibility.

"It is vital not to find yourself stuck with a company that at all times insists on the letter of the small print."

For those who prefer a compact high quality car to a larger more popular model, the BMW 318i is favoured in the UK

Still unsurpassed for ride comfort and lack of road-induced noise – the Daimler 3.6 version of the new Jaguar saloon

How they go

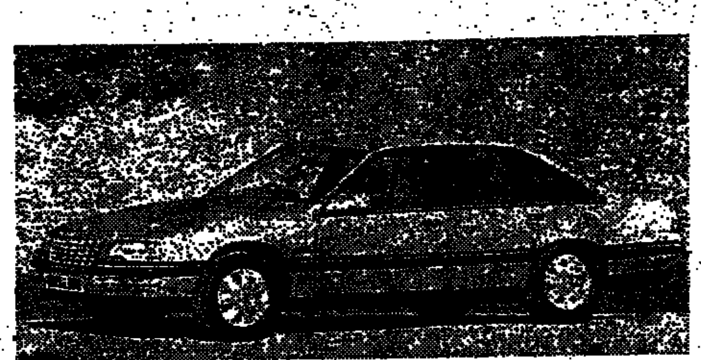
Size no longer denotes status

THE LATEST cars, regardless of class, perform so well that buyers or user-choosers no longer have to ask if they will be fast enough.

Any potential business car, from a junior rep's supermini to the chairman's carriage, is capable of sustaining the official 70mph (112kmh) or the unofficial but widely-tolerated 80mph (130kmh) motorway limit indefinitely.

Maximum speeds matter little. What is important is how quickly and quietly the car reaches and maintains its cruising speed and how comprehensive the equipment. Status is no longer equated with size.

For many drivers, a small to medium-size car of high specification with a prestige badge on the radiator grille is preferable to a much bigger one in the same price class. A BMW 5 Series instead of a Vauxhall Senator, a VW Golf GTi rather than a Rover Group MG Montego.



The Vauxhall Senator CD saloon, an alternative to the Ford Granada, has 2.5-litre or 3-litre in-line 6-cylinder engines

High equipment levels, with good-quality stereo radio/cassette players, electric windows, sunroofs and central locking are now taken for granted.

For management users, automatic transmission and air conditioning are increasingly desirable, while power-assisted steering and fuel injection are essential.

Since Ford pioneered anti-lock brakes as part of the standard Granada package, they have been regarded as a useful, safety-related item. So too is full-time four-wheel drive, which becomes more popular every year on cars of high power-to-weight ratio.

In essence then, the choice is often between a high volume manufacturer's product, well equipped but of conventional design, and a smaller, more sophisticated car. This will be of higher perceived status and may well have all-wheel drive or ABS brakes, perhaps both.

It is a purely personal view, but for a long trans-European journey I find that freedom from fatigue is more easily achieved in a large car. The West German Autobahnen are derestricted, but motorway speed limits in countries such as France are strictly enforced.

At a steady 80-85mph (130-137 kmh) a big car like a BMW 7 Series, with automatic transmission and very high overall gearing, is supremely effortless, surprisingly economical and as comfortable as one's own drawing room.

Much the same may be said of the Mercedes S Class and Audi 200 though they do not isolate their occupants so well from road-induced noise. For sheer silence, the latest Jaguars and Daimlers have no peers and few rivals.

One size class down, the Rover 800 and its Honda Legend stable companion impress with their refinement. They are four-door saloons with roomy boots, a body many medium to large car buyers prefer to the hatchback.

Mercedes-Benz, whose 200-300 range is still the yardstick against which executive-type competitors tend to be judged, has never made a hatchback. Nor has BMW and neither manufacturer has any cause to regret it.

Ford Granadas (Scorpios in mainland Europe) ride buoyantly and, especially with the optional all-wheel drive, have excellent handling and roadholding, but their V6 engines cannot match a good in-line six for smoothness. When these cars eventually have a boot lid instead of a tailgate the Granada's appeal will be increased, as Ford found with the Sierra Sapphire saloon.

The Fiat Croma, Lancia Thema and Saab 9000 all share some major sheet metal components and, in their higher-performing versions, have four-cylinder, 2 litre engines with turbocharging and intercooling. They drive well, the Fiat feeling a bit lighter than the Thema, the Saab a shade sportier than the Italian cars.

One of the most interesting newcomers is a fourth variation on the Fiat/Lancia/Saab theme, the Alfa Romeo Type 164, with a choice of in-line four-cylinder or 3 litre V6 engines. Brief experience persuades me that if any car can restore Alfa's faded glory, it is the 164.

PSA Group (Peugeot Citroen) has only the ageing 505 and CX ranges in this class. Good though they are, on French D roads especially, they are no longer really competitive and their successors are not far off.

Though pleasant to drive or ride in and with potent turbocharging, the Renault 25 suffers from having both a tailgate and a very high rear sill. The Vauxhall (Opel) Senator saloon is an attractive alternative to the large Fords, with high standards of ride comfort and road noise suppression.

Volvo's 700 series saloons have recently benefited from being given independent rear suspension to replace Europe's last surviving rigid driven axle in this market sector.

Among medium-sized cars in the sector dominated in Britain by Ford's Sierra, the Vauxhall Cavalier and Rover Group Montego, the new (and British assembled) Peugeot 405 will make a big impact this year. This four-door saloon was chosen as Car of the Year 1988.

It has the traditional Peugeot virtues of an excellent ride and nimble handling combined with styling which is as clean and modern as that of its predecessor, the 305, had become dated.

Though handicapped by inadequate luggage space, the Audi 80 and 90, and especially the 90, seem to offer everything else a mid-sized car buyer could reasonably require, including quattro 4x4 transmission at a price.

The Citroen BX and Renault 21 are typically French in majoring on ride comfort.

Nissan is competing in earnest for fleet business with its British-assembled Bluebird. This offers exceptionally lavish equipment and the promise of great reliability in an undistinguished-looking but carefully-built four-or five-door body.

Moving down the price range, Ford has dominated sales with the Escort and its booted derivative, the Orion. They are thoroughly competent cars, with the higher-performing XR3i offering much of the driver appeal of, say, a VW Golf GTi at a lower price.

With the Escort, Ford became the first maker to offer anti-lock brakes as optional equipment in a car of this size and price.

The Honda Ballade-based Rover 200 saloons are pleasing alternatives to the market-leading Fords. The 1.6 litre Rover-engined versions, especially the Vitesse and Vanden Plas EFi, combine useful performance with interior touches one expects of a Rover at quite keen prices.

Vauxhall's rival Astra hatchback and Belmont saloon are among the few cars in this sector with optional power steering, which is much appreciated by any city centre driver.

Among the smallest fleet cars, the Rover Group Metro feels at its best in town and suburbs - its lack of a five-speed gearbox seems less important than it does on long motorway journeys.

The Peugeot 205 rides notably well and is seen as a Metro, Vauxhall Nova or Ford Fiesta alternative.

This year, the ultra-economical and comfortably-suspended Citroen AX could also make its mark among managers of smaller fleets who want something a little different but have to work to a low budget.

Stuart Marshall

Foden articulated truck at work

Latest trucks tested

Performance with fuel economy

BRITAIN HAS long been Europe's most price-sensitive commercial vehicle market. Demand for trucks and vans "built down to a price" has been sustained longer in the UK than in such countries as West Germany, France and Holland and in Scandinavia.

The steep decline in continental sales of the Bedford range and of Ford's D-series models through the 1970s illustrates the point. Buyers adopted a longer-term view, looking at whole-life operating costs rather than being seduced by a low initial price.

Slowly but surely British operators, especially those running the larger fleets - nowadays more professionally managed - are moving towards the same commercial philosophy. They are prepared to spend more when they buy new vehicles, in anticipation of longer life, fewer mechanical problems and the corollary of a higher resale value when replacement falls due.

At the same time, transport managers are more conscious than ever of vehicle performance as it bears on day-to-day operating expenditure. Fuel consumption inevitably must be included under the heading of performance in this context.

At the same time, vehicle buyers look for a vehicle's ability to maintain high average speeds in order to minimise journey times.

Increasingly, deliveries are scheduled within specified time "windows", the aim being to avoid vehicle congestion at goods-inwards bays - notably where space is restricted behind High Street retail premises.

It used to be thought that in a truck the sort of generous engine power and torque which made for lively acceleration and hill-climbing performance was quite incompatible with parsimonious fuel economy, and indeed with high overall operating efficiency. But 1980s diesel technology has brought a new perspective on the performance-economy balance.

Fierce competition between truck diesel producers has led to improvements in engine efficiency of 15 per cent or more which could not have been envisaged in the early 1970s. Millions of pounds, deutschmarks, kronor, guildersand indeed dollars and yen have been ploughed into diesel research and development with the object of extracting more performance from a given amount of fuel.

All-new diesels like Cummins' 6 litre B-series and the related 8.3 litre C-series have transformed fleet operators' productivity expectations. Not only are these engines more economical than nearly all their older rivals, they are also lighter and structurally simpler and more compact, making them easier to install for chassis makers like ERF and Leyland-DAF (B-series) and Iveco-Ford (C-series).

The two-axled ERF E6, powered by the 180bhp turbo-intercooled 6BTA engine, set record acceleration times when I tested it last year. Thanks in part to the engine's installation, the ERF 16-tonner also scored high marks for refinement, proving to be as quiet and smooth as the best of the continental competition.

In lower-powered 6BT form in the 7.5 tonne Leyland Roadrunner, the same engine was also impressive, on test, from both a performance and economy viewpoint,

Among proprietary truck engines, the only serious competitor to the Cummins B-series is Perkins' new-generation Phaser, of almost identical capacity - 1 litre per cylinder. Unlike the 'B', the Phaser was derived from a well-proven existing design, the Perkins 6.354, which is in service in many thousands in Dodge and Seddon truck chassis.

The new 'supertrucks' need not be thirsty on fuel in the hands of sensible and diligent drivers

Seddon has adopted the new Phaser to replace the 6.354 in its latest 16-tonner, the 2-11, which competes directly with the E6 from ERF and with 10 other makes of maximum-weight four-wheeler on the UK market.

On test last year the 2-11 demonstrated the Phaser engine's 1980s standard of fuel efficiency, matching closely the miles-per-gallon figures from the ERF. Acceleration times of the Seddon were markedly slower however and, subjectively, noise and vibration levels fell short of the E6's benchmark standards.

Perkins is not the only manufacturer to breathe state-of-the-art technology into an established engine design. In the last year Volvo, Scania, DAF and Fiat-Iveco have updated some or all of their truck diesels, most notably through the application of intercooling, whereby induction air from the turbocharger is cooled in a heat exchanger, like a second radiator, so that more air is drawn into the engine at each induction stroke.

In turn, this makes for cleaner and more complete combustion of the fuel.

Higher injection pressures and smaller more responsive turbochargers have also played a part in raising diesel efficiencies, which in Volvo's case have led to increases in power and torque across the company's whole range of medium-heavy truck engines, with the promise of no fuel consumption penalty.

DAF has applied the successful intercooling experience on its largest 11.6 litre engine to the 6.2 litre unit, enabling the latter to be uprated in performance. As a result the Dutch company has been able, for 16/17 tonne applications, to substitute the intercooled 6.2 litre for the much heavier and more costly (to manufacture) 8.25 litre engine fitted previously.

When I test drove the latest F1900 recently, it came close to emulating the ERF E6's performance and fuel economy.

Perhaps not surprisingly it is at the heaviest 38 tonne high-profile end of the truck market where performance and operating economy come in for the closest scrutiny and the greatest debate, in distribution company boardrooms and over the egg and chips in transport cafes up and down the country.

More and more horsepower is on offer. The 400hp barrier was breached at the beginning of the decade by Scania of Sweden with its 414 hp 14 litre V8.

Since then Fiat-Ivecohas uprated its massive 17.2 litre V8 to a similar output level, to be followed in 1986 by Mercedes-Benz, whose 14.6 litre V8 was updated with much improved breathing to deliver 429 hp. Also in Germany MAN has made available an intercooled version of its long-established 18.3 litre V10, for left-hand drive markets only, producing 460hp.

Most recently, Volvo has launched its biggest engine yet, an all-new 448 hp 16 litre in-line six to power a flagship range of trucks, badged F16,

Over a cross-section of Swedish road conditions late last year I was able to drive a number of F16 models at all-up weights from 38 to 52 tonnes. At the UK permitted limit, the arguably over-powered Volvo, like its rival the Mercedes 1644 of similar output, takes most main road gradients in top-gear stride.

During a full UK test on the big Mercedes, acceleration times, not surprisingly, were faster than any recorded previously with a 38-tonner; through the gears, 20mph was reached in 9.2 seconds and 40mph in only 32 seconds.

In the hands of a sensible and diligent driver these new "supertrucks" need not be thirsty on fuel. Their generous power and torque mean fewer downchanges, and lower average engine speeds, with consequent economy attractions, so that for similar journey times, the big engine benefits can be turned into durability and possible fuel-savings.

Alan Bunting

Profile: Browns Transport

Cross-channel trailer of the Browns fleet

Benefits of a one-make fleet

KENT-BASED Browns Transport started life at the beginning of the century with a single vehicle. By 1945, when Geoffrey Brown, son of the founder and now managing director, came into the business there were five.

Now it is a general haulage company, though specialising in bulk liquids and bulk powders, running 20 trucks and more than 80 trailers.

A wholly-owned subsidiary in France deals with the continental side of the business, and an office at Dover eases the passage through customs formalities.

All the haulage equipment is owned by the company. None of the vehicles or trailers is either leased or under contract hire agreement.

There are very good reasons for this, according to Geoffrey Brown: "Obviously we need finance – from the bank or from one of the finance houses – but everything here is bought outright.

"We buy because really the only assets we have are our vehicles. Furthermore, for a company such as this it is cheaper to own the vehicles.

"That's simply because our business is transport; if the business was manufacturing bricks or any other commodity, then I certainly would not want to own any vehicles."

The reasoning continues along the lines that, under a contract hire or leasing agreement, the capital cost of the vehicle has virtually been paid within about three years.

"While you've certainly had the use of the vehicle during that period, you don't benefit from the residual value – and that can be considerable."

All the trucks bought since 1981-82 have been Seddon Atkinsons, and now the whole fleet is of one make. All are 38 tonnes gross, and the majority are modern six-axle air suspension units.

Before switching to Seddon Atkinson, Browns ran Saviem and Berliet trucks, but Geoffrey Brown is convinced that the advantages of running one make outweigh the disadvantages. The chief drawback, he says, is that it becomes impossible to play one supplier against another when it comes to negotiating the purchase of new trucks.

But the advantages for Browns include the availability of a good local Seddon Atkinson dealer, and the fact that repair and maintenance becomes considerably more efficient.

Browns' in-house mechanics know the vehicles thoroughly and so can complete servicing jobs quicker and better. Also, in-depth knowledge of the running characteristics of a particular type of truck allows the mechanics to recognise problems quickly and remedy them.

From the company's point of view fewer expensive special tools are required, and a smaller parts stock can be carried.

Purchase of both trucks and trailers is spread throughout the year so that too many MoT tests do not fall due at the same time, and to avoid having to tax them all at the same time: "An important consideration at £3,200 a vehicle," Mr Brown says.

Currently the company is negotiating to buy half a million pounds-worth of new specialised taut-liner trailers, because they allow the widest possible number of load applications.

"Since our business is to carry other people's goods we have to be prepared to carry just about anything so long as it is not too specialised.

"Having the right equipment available and having a certain amount of spare capacity means you can be flexible in the way you operate, and that's important because we get our business not just on price but also on the overall service we are able to provide our customers."

Vehicles are currently kept for five to seven years, depending on the type of vehicle and the overall mileage covered.

"On average, Browns' trucks do 65,000 miles annually, a fairly low figure because the majority of their work is in the UK and Browns operates a policy of one driver per truck. This reduces overall mileages, because of limitations on drivers' hours.

For continental work, which provides 80 per cent of earnings, trailers go unaccompanied and onward transport is organised by Browns' French subsidiary. The only normal exception to this is tankers, which go accompanied.

Disposal policies have altered radically in recent years. In the past the company ran its vehicles until they had to be scrapped.

Now, the amount of downtime this involves makes it senseless to keep vehicles so long. As soon as major repairs start to become necessary, vehicles are traded or auctioned, and replaced.

Martin Derrick

VEHICLE FLEET MANAGEMENT 14

Charge cards

Missed options on accountability

THE NAME of the game for companies with vehicle fleets should be accountability, especially for monitoring the estimated £3bn a year of petrol used by executives with company cars.

Yet, surprisingly, it is still only a minority of companies which actually make use of some of the specialist fuel card monitoring services available.

Moreover, this reluctance to come to grips with the fuel side of business travel is echoed in other aspects of corporate control of business expenses. American Express, in a survey of business travel and entertainment costs published this month, reveals that relatively few companies are really concerned about escalating travel expenses.

"Companies which would fight to the last drop of blood to get a good deal on a new photocopier are cheerfully tossing away thousands of pounds simply because they fail to get to grips with simple fundamental issues like 'who can spend how much and on what'," says Mr Christopher Rodrigues, managing director of American Express's UK travel management services division.

American Express, not surprisingly, runs a specialised consultancy service to help companies manage business expenses, including buying petrol for company cars.

Corporate Amex and other charge cards, such as Diners Club, along with Visa and Mastercard cards account for an estimated 23 per cent of the £3bn company fleet fuel market.

The most usual form of payment is cash or cheque, which accounts for 35 per cent of sales, followed by garage credit accounts with 28 per cent. Specialist fuel cards, however, have only 14 per cent of the market at present, achieved through the issue of about 500,000 cards in total.

Yet it is these cards which represent most growth potential because of the control that they give companies over expenses.

"Many companies start using specialist fuel cards because they want a centralised billing system," points out Ms Judy Douglas-Boyd, marketing director of Overdrive, one of the leading fuel card specialists.

"But once they have got used to the idea, they realise how much more they can do for them in terms of running their business."

Fuel cards such as Overdrive can help companies in a number of ways:

- Individual receipts do not need to be gathered because the card invoice is a VAT invoice. In addition, the Overdrive system gives a VAT analysis by product showing net and gross figures;
- Controls can be be instigated before the card can be used, such as on the type of fuel to be bought, and who by;
- The give details of where petrol has been bought and a fuel brand analysis showing the company's total spend, by fuel brand, for any given period;
- Management reports are generated showing a wide range of information, such as where too much is paid for petrol, costs per mile of individual vehicles, and so on.

"A fuel card is essentially an information system running from a piece of plastic rather than a conventional credit card," Ms Douglas-Boyd says.

The source of such a management information system is the transaction document - the sales voucher detailing the registration number of the vehicle on the forecourt, the amount of fuel bought, and the cost.

Although the voucher can sometimes be filled out incorrectly - or the writing may be poor - a good fuel card system will monitor the raw data. Suspect information at the processing stage can be scrutinised, corrected if required, and then flagged on the reports to the user-company.

This allows the fleet operator to look only at error reports, therefore highlighting suspect vehicle or driver performance, rather than having to look at the whole fleet picture.

It also helps to ensure that sensible information is reported, rather than figures which are obviously the result of poorly written or poor input data.

This degree of sophistication at the voucher editing level can allow the user-company to insert its own controls by requesting that certain conditions, within fixed criteria, are highlighted on the account.

Any vouchers processed on weekends, for example, would highlight a driver's possible unauthorised fuel purchases at the weekend.

As many vehicle fleets have a significant proportion of their fuel supplied in bulk and stored on site, fuel cards can also be used to register such transactions. This gives the fleet operator a picture of the whole fleet consumption, rather than just petrol bought from retail outlets.

Ms Douglas-Boyd suggests that the growing sophistication of management information arising from the use of fuel cards means "that the common ground between fuel cards and other credit card companies is decreasing."

She also believes that "the gap between market leaders such as ourselves and others is also widening."

Harpur Holdings, the company that operates Overdrive, also operates the Esso Chargecard along similar lines for use in Esso garages.

Its main rival is All Star, a fuel card operated by the PHH vehicle fleet management group. All Star also operates the BP Supercharge card.

The third major specialist fuel card operator is Dialcard, which used to handle Shell's Gold Card although is now handled by a smaller operator.

With less than a fifth of the UK market, specialist fuel cards clearly have plenty of growth potential in this country. Trade sources suggest that it will account for some 40 per cent of the market by the early 1990s.

Even so, PHH has started making inroads into Europe with a similar system to its All Star card. Although the proportion of company car fleets in Europe is smaller than in the UK, there are some 7.5m commercial vehicles which PHH believe is a prime target market.

It faces competition, however, from the oil majors in most continental European countries. Shell, for example, already operates a company fuel card system - called the 'S' card - in France.

David Churchill

Judy Douglas-Boyd: companies want a centralised billing system

John Cullum of PHH: offered guarantees on depreciation risks

Profile: Honeywell Bull

Leaseback package may set a pattern

HONEYWELL BULL, the major computer company, recently concluded a vehicle leaseback deal with fleet management specialists PHH which could set the pattern for other large companies.

The £4m deal is unusual in a number of ways but principally because 16 companies were invited by Honeywell Bull to make proposals, and PHH won with a modified contract hire and petrol card package.

While few large companies are now prepared to take on full management services as well as financing, preferring to retain greater control, PHH offered a hybrid between contract hire and leasing.

Mr John Cullum, managing director of PHH, says: "We were responsive to Honeywell Bull's requirements and offered some guarantees on depreciation risks. On price, we were competitive because we use our own money and have a high credit rating."

He admits that PHH had an inside track because it was already providing funding and full fleet management to 640 vehicles within the Honeywell Bull Fleet. This new agreement provides financing and full management services for the remaining 810 vehicles, which were previously provided by another company.

Honeywell Bull's financial controller, Mr Bill Ray, says: "Our decision was based on PHH's comprehensive and competitive response to our tender, and on their ability to cater for all our future vehicle-related requirements."

He says that when he inherited responsibility for the fleet from the company's financial director, he discovered that the question of vehicles had not been examined for some time and set about getting a better deal.

The 16 companies invited to make proposals regarding fleet management included leasing and contract hire companies, banks and some which offered only petrol card services.

An initial study had shown that the use of two companies to provide vehicles was probably not as cost-effective as one, particularly in the area of data processing.

It had also been established that form-filling relating to petrol and car expenses was a waste of employees' time.

For this reason it was decided that a petrol card scheme should be introduced, covering petrol and oil only, to be charged directly to the company.

At the same time, the company's policy on types of cars being purchased was examined, particularly in relation to the exceptions which had built up for various reasons.

A study of car efficiencies was carried out, and it was decided to extend the range of vehicles available to employees to include European-made cars.

Mr Kay points out that PHH's contract hire proposals were accepted mainly on the basis of cost, but with the added advantage that it was able to provide its All Star petrol card service at the same time.

The resulting agreement was the largest of its type yet concluded by PHH, which has recently moved to a new £10m headquarters building in Swindon. It brings the number of vehicles under management by the company to more than 50,000.

The deal coincides with PHH's entry into the contract hire business with a fixed-rate contract hire scheme under which the calculation of rentals and other charges will be disclosed to clients.

Mr Cullum says: "We have been aware for some time of a gap in the contract hire market as far as the smaller fleet is concerned - 'smaller' in this context meaning anything from just a handful of vehicles.

"At the same time, we have been aware of the deficiencies in many of the schemes currently on offer, particularly when it comes to being frank with customers about how you calculate their charges and early termination penalties."

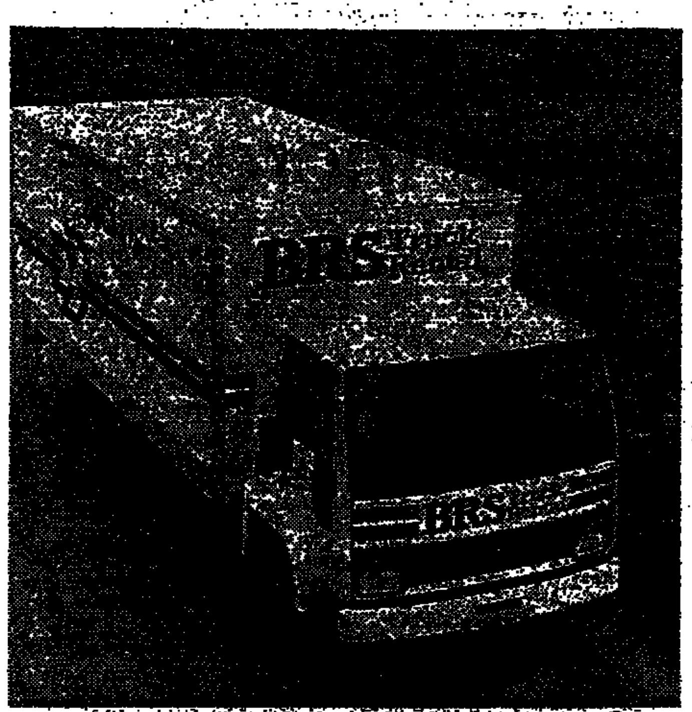
Mr Cullum believes that it is not only smaller companies which like the benefits of fixed price contract hire, particularly if guaranteed residual management is included in a hybrid package, as the Honeywell Bull deal has illustrated.

"We think the market is going that way to some extent, but a lot of companies want reassurance on depreciation and we believe we will be able to provide it." He points out that competitive pricing will remain a key factor.

Another important element for a company as large as Honeywell Bull is the ability of the supplier company to provide direct input into its computer system, allowing instant call-up of information on the vehicle fleet, and the ability to analyse the data.

For Honeywell Bull, with 1,450 vehicles on the road, it is regarded as vital to have such information instantly at hand.

Lorne Barling



The popularity of contracting out is accelerating

Distribution trends

Food multiples point in third party direction

AS DISTRIBUTION becomes increasingly complex and specialised, more and more companies are opting to contract out such activities to third party specialists.

The size and scope of operations varies considerably from one contract to another but basically the term "contract distribution" is taken to mean the provision, by a third party specialist, of a complete distribution facility dedicated to, and operated on behalf of, a particular customer.

This can range from the straightforward running of a specific customer's commercial vehicle fleet through to the operation of warehousing facilities or a complete distribution centre.

In some cases, the complex may be designed and built by the contract distribution company for the customer.

Many of the arguments in favour of contracting out distribution, as opposed to handling the function in-house, are along the same lines as those used to promote contract hire for car and commercial vehicle fleet operations. Broadly speaking, they centre on overall cost and operational advantages, plus the fact that companies using third party specialists are freed from the responsibility of the day-to-day running of their distribution operation.

Arguments against contract distribution and in favour of own-account operation are rather harder to quantify. Certainly, perceived cost is one factor in the minds of companies which are continuing to run their own distribution activities.

Distribution contracts can be worth millions of pounds so companies with well-established and, to them, efficient in-house distribution operations may be reluctant to incur what might at first sight appear the high cost of contracting out.

Adding to that reluctance can be a fear factor, with companies preferring to leave well alone an in-house operation which appears to be functioning satisfactorily rather than risk possible problems by handing over distribution activities to a third party.

Some companies still believe they are better placed to meet their own distribution requirements than any contractor which might be brought in. Generally, though, the idea of contracting out distribution activities is gaining ground across a broad range of British industry.

Leading the way in that respect are many of the large multiple retailers, particularly those in the food sector, which see highly efficient distribution as vital to their success.

A major factor in such efficiency is the centralisation of supply arrangements and, increasingly, the employment of outside specialists to handle the resulting large and very sophisticated distribution operations.

At the same time, manufacturers are being forced by those changes to review their own distribution arrangements, a trend highlighted in a report on the UK distribution scene published by the National Freight Consortium's NFC Distribution Group.

The report claims: "Own-account operations, particularly those run as operating divisions of manufacturers, have been severely pressured. With high fixed costs, such operations have become a financial burden for many manufacturers at a time of increasing economic pressure for cost efficiency."

Faced with those pressures, manufacturers, too, are now handing over more of their distribution functions to outside contractors. In some instances, distribution specialists are taking over the manufacturer's central warehouse facility and managing the whole distribution function.

In other cases, third party operators are being employed by manufacturers to handle distribution in particular sectors or distribution trends. By handing over distribution activities to a contractor, the retailer or manufacturer can free often substantial amounts of capital for use elsewhere in their business.

Responsibility for investing in vehicles, trailers, equipment and, increasingly, new computer systems falls to the contractor who can also be called on to design and build completely new warehouse/depot facilities.

Importantly, the distribution industry can settle for lower returns on that investment than the customer company which by contracting out can then allocate the additional capital to areas of higher return.

Apart from the capital aspect, companies switching to contract distribution are also largely freed from the dilemma of whether to divert their own management resources to activities which may not be "considered part of their mainstream operations.

"The ability to obtain on contract a specialist management team or parts of a management team, as required, is one of the key advantages of a contract relationship. It allows the customer in that situation to concentrate on achieving objectives through the distribution channels rather than being physically involved in day-to-day or week-to-week management," says Mr Mark Bedeman, managing director of NFC Contract Distribution.

Handing over distribution operations to a third party can also pave the way for changes which the customer company may well already have been in favour of but had found hard to introduce.

For example, bringing in an outside contractor can sometimes help to resolve any union restrictive working practices left over from the 1960s and 1970s.

Similarly, a third party can also often cut through a customer company's own internal management politics and bureaucracy to produce solutions to particular distribution problems.

In some cases, a contractor can identify a need for radical change in the whole strategic operation of a customer's distribution system.

One example is quoted by Mr Alan Jones, managing director of TNT UK which includes in its activities the contract distribution company TNT Contract Services.

"TNT Contract Services examined the operations and composition of a mixed fleet of more than 130 vehicles which delivered products from a central warehouse to over 2,000 retail outlets each week.

"We were able to identify a system which improved transit times and increased the frequency of delivery to the shops with a reduced fleet of only 82 vehicles," Mr Jones says.

"The improvement in efficiency was achieved by operating from TNT outbases located throughout the UK using double-shifted vehicles trunking at night and delivering during the day. The previous system provided for single-shift operation of a fleet without the use of outbases."

In addition to contract distribution, demand is also growing for third party common user distribution services.

Manufacturers in particular are finding that with up to 70 per cent of some products now being routed through retailers' central warehouses, requiring substantially fewer but larger drops, there is insufficient traffic left to sustain their own in house transport operations.

As a result, they are handing over the remainder to a third party operator.

Philip Hastings

Trailers

Crash shakes growth hopes

DEMAND FROM transport fleets for articulated trucks, with an all-up weight as high as 38 tonnes remains buoyant. Registrations of artic tractors last year were up by about 18 per cent on 1986.

No official figures are available recording sales of the semi-trailers to which those tractors are coupled. But industry sources suggest a similar percentage market growth. Some 12,900 heavy trailers were produced in 1987, compared with just over 10,000 the year before.

Though the health of the trailer industry is superficially-buoyant, confidence in its longer-term growth has been shaken by reverberations from last October's stock market falls.

According to Jim Davies, managing director of York Trailer - which, now as a division of Bunzl Transportation, claims to have pipped its main rival Crane Fruehauf for market leadership in 1987 with one in three of all UK sales - loss of financial confidence prompts distribution directors and fleet purchasing executives to delay replacement programmes.

New trailers are at the top of the list of expendables in such circumstances. It is easier and less costly to extend the life of an existing trailer than of more sophisticated fleet equipment.

Current orders for new platform, van and curtain-sided trailers for general haulage work, many of them placed in the middle of last year, will keep manufacturers busy through to May or June. In the case of refrigerated "reefer" trailers, despite accounting for a growing percentage of the market, at about 800 units a year, order books have a slightly less optimistic look.

Though as Mr Davies points out, one major order from say a big food distributor - having itself typically just won a contract to serve a national supermarket chain - can quickly turn gloom into boom for a reefer manufacturer.

Demand for reefers surged ahead in 1986, following a legal concession allowing them to be 3.15in wider. This enabled two more metric pallets to be accommodated - 24 instead of 22 - without resorting to so-called thin-wall construction which had earlier proved unsatisfactory in terms of both structural strength and insulation.

Today's almost 8ft 6in-wide reefer trailers cost no more than their thin-walled equivalents and are no heavier, so the extra loadspace productivity, set against traditional thick-wall units, is a genuine bonus. In particular it helps British refrigerated haulage companies which operate internationally some way towards remaining competitive with their European counterparts.

However, for the past 18 months most EEC countries have permitted artics weighing up to 40 tonnes, with as much as 11 tonnes on one axle.

Britain's 38 tonne maximum, with its 10.5 tonne axle limit, inhibits the competitiveness of all UK-based international hauliers carrying freight which is sufficiently heavy in relation to its volume (ie dense enough) to bring the all-up weight of an artic combination to the legal maximum.

In manufacturing, York is moving back into Europe after an interval of 15 years. A 76,000 sq ft assembly plant at Dordrecht in Holland is being commissioned in March where trailers initially will be assembled using frames and other major components shipped from Britain.

Products to be marketed, concentrating initially on Holland and Belgium, and later France and Italy, will include the Thermostar reefer trailers now in full production at a recently refurbished plant at Harelaw, Co. Durham.

Crane Freuhauf, as one of several European subsidiaries of the American Fruehauf Corporation, does not export into Europe in its own right. But in the UK and in Third World markets CF and York remain in strong competition, not least in the supply of reefers.

A wide-bodied design rivalling the Thermostar was launched last year by CF, after a period when the company, as a matter of declared policy, refused to build thin-wall units.

Britain's third largest trailer producer is Craven Tasker, part of the John Brown group known traditionally for its shipbuilding activities, itself acquired in 1986 by Trafalgar House, which now wants to sell the trailer maker, with its factories at Burton-on-Trent, Sheffield and Cumbernauld.

A planned management buy-out headed by managing director Norman Mellors at the end of last year was thwarted. Now, the acquisition of CT by an outside buyer appears imminent.

Among the companies which might be expected to make a bid for part or all of CT is Doncaster-based Carrymaster, a fast-growing independent company which has announced its intention to invest up to £6m in production facilities for reefers alone.

The UK reefer market is beginning to look over-subscribed with two French and a Danish importer in contention as well as important reefer specialists such as Gray & Adams and GRP-Massey and the big-three trailerbuilders.

Demand for temperature-controlled trailers has been stimulated indirectly in the last decade by the revolution in grocery retailing in Britain. Tough competition in the High Street between the big-name supermarket chains has included a drive for fresher produce on the fruit and vegetable shelves, with multiples seeking to improve on the freshness offered by the small greengrocer.

The need for freshness has stimulated the trailer market

Specialist growers and importers like Hunter Saphir have themselves set up distribution subsidiaries, serving such retailers as Sainsbury and Marks & Spencer, establishing a "cold chain" whereby cabbages, lettuce and other perishables are moved under controlled-temperature conditions all the way from the farmer's field to the supermarket shelf.

This implies the use of refrigerated vehicles and such are the volumes of produce being delivered to ever-larger retail outlets that articulated trucks with reefer trailers are invariably needed. Sales of the latter have risen to about 800 units a year.

For the movement of general cargoes in artic trucks, flat platform semi-trailers, requiring loads to be tediously sheeted and roped, have largely been supplanted by enclosed trailers - either container-like vans or, increasingly, curtain-siders.

Design ingenuity has injected keen competition into the curtain-sider market, led for several years by the specialist bodybuilder Boalloy, with consistent challenges from rivals such as Southfields, Lawrence David and indeed York, whose latest design incorporates a patented elevating roof, developed initially to win a big order for 520 trailers from Ford.

The feature enables the trailer to comply with Britain's anomalous truck height limit regulations, which apply only at gross weights above 32.5 tonnes.

Alan Bunting

The evolving fleet car

Pressure on the vehicle planners

THE INTENSELY competitive nature of the fleet car market leads to pressure on the manufacturers' vehicle planners as much as their financial and marketing colleagues.

Fleet sales may be concluded because the financial package is right, or the back-up service the best offered; or it may be that the salesman is able to offer exactly the kind of car the buyer's fleet drivers are looking for.

To this end, the major car makers research the desires and aspirations of company drivers.

The assumption that such drivers want a better car than their rivals is naive. They know that within the rules of the fleet operating game and the hierarchy of their own company they are going to be given a particular kind of car, at a particular - though probably nominal - price.

What they earnestly wish is that the car they get should be as good as possible within those constraints, and that it should convey what they see as the right kind of image.

To understand how this attitude has come about, and the way the car manufacturers have responded, it is easiest to begin with the wrong kind of image.

There is a widespread public assumption - especially among those who have bought cars with their own money - that the company car driver pursues his high-pressure existence in a vehicle which reflects the price constraint under which it was bought: plain in appearance, under-equipped inside and under-powered for the manner in which it is habitually driven.

The fleet driver, knowing this, feels a strong need for a car which at least appears to contradict that assumption.

Ford was inevitably the first company to follow this train of thought to its logical conclusion and produce a special model line to satisfy the need. The Sierra LX is cunningly, one might almost say cynically, designed to look and feel good without straining the buyer's budget.

Thus it has a two-tone paint finish, the lower half in sporting black with a distinctive red stripe. It has low-profile tyres and special wheel trims, a rev counter, and door mirrors which adjust from inside the car.

These are all items which can be fitted without adding too much to the cost. The tyres for instance give a sporting look without being as wide as those fitted to the genuine up-market Sierras.

The door mirrors are not electrically adjusted. The seats remain standard, because special wrap-round sports seats are expensive.

The only exception to this rule is the sunroof which, research has shown, is the most preferred single extra feature among typical high-mileage company drivers.

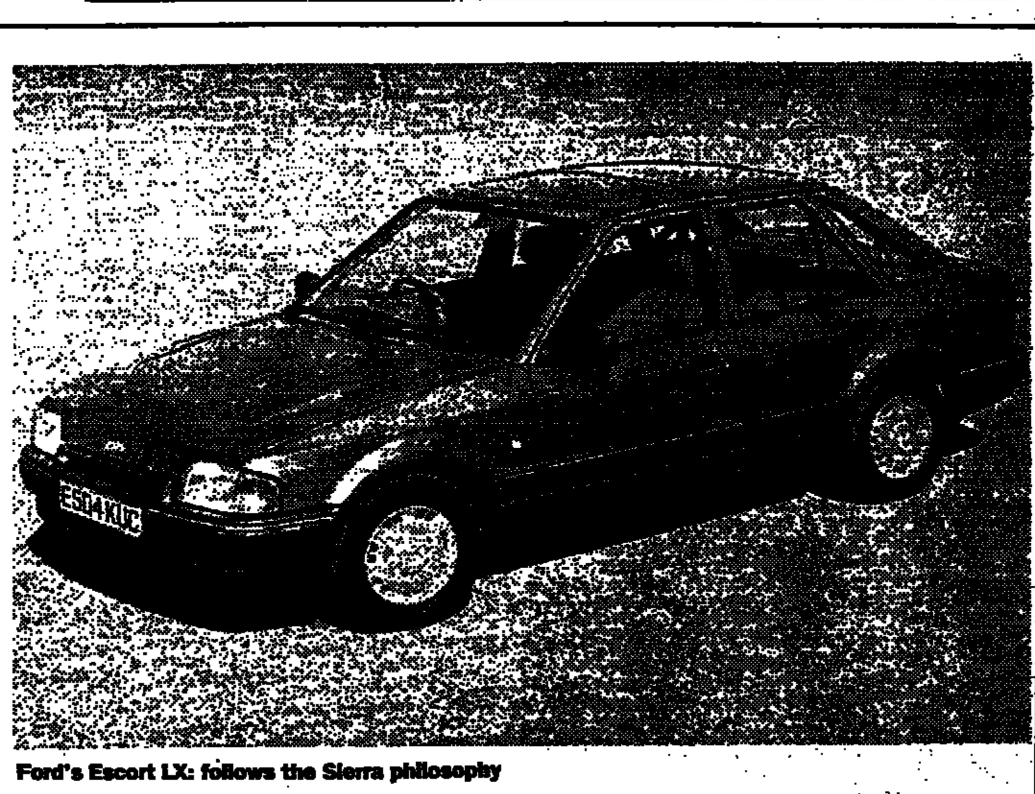
Indeed this preference is so strong that it impelled Ford to make anti-lock brakes a standard fitting on the Granada, when it emerged that when given the choice between ABS and a sunroof, all too many drivers would opt for the latter.

This attitude is reflected in the fleet buyers' relative indifference to major mechanical features. Some industry observers raised eyebrows when Ford launched the rear-driven Sierra on the heels of the immensely successful front-driven Vauxhall Cavalier and predicted market failure as a result.

As it turned out, the Sierra's initial sales stutter was purely the result of how it looked. The question of front or rear-drive made astonishingly little difference to fleet customers.

It was no accident that the Sierra, king of the company fleets, was the first Ford model to be accorded the LX treatment. Ford's sales literature makes little mention of its intended target, for that would be giving too much of the game away: instead it stresses that the LX is "an attractive car for an attractive price" with "value-for-money features."

The real point of the exercise is seen in the price list where the Sierra LX lies closer to the L model below it than it does to the GL above. The success of Ford's LX policy has led both to its extension, and to counter-moves by rivals.



Ford's Escort LX: follows the Sierra philosophy

Those in the market for a smaller fleet car can now opt for a Ford Escort or Orion LX to which exactly the same philosophy has been applied. Vauxhall has countered with its Cavalier 1.8Li, and Rover with the Montego 2.0Si.

Both faithfully reflect much of Ford's thinking: they are overtly sporting in appearance without involving the buyer in high expenditure on the unseen technical trappings of genuinely sporting models.

However, while Ford chooses to offer its LX versions with a wide range of engines, Rover and Vauxhall have chosen to add more power to the recipe. Where the choice of engine is concerned, something of a revolution has been wrought with the vanishing of the old 1.8-litre tax-break point.

Ford and Vauxhall have not rushed to abandon the 1.8-litre size. (Rover did not have one anyway, once it had abandoned the old B-series engine for whose benefit, paradoxically, that particular break-point was originally chosen). Sales directors felt that retaining a choice of three engine sizes might provide a useful intermediate step for large fleets which needed to maintain a complex pecking-order among drivers.

There are, however, increasing signs that the 1.8-litre size is on the way out. Vauxhall for instance has cut the number of 1.8-litre Cavalier versions in favour of extra 2.0 litre vehicles.

One of the main requirements for a model range which can be sold strongly to fleet markets is a choice between saloon and hatchback models. It is another part of the company-car myth that travelling salesmen are invariably equipped with hatchbacks.

In fact any fleet manager with an interest in the safety of high-value loads is likely to lean towards a saloon (the discreet giveaway feature is the extra security lock for the boot lid).

Rover has always found more fleet sales success with the Montego saloon than the hatchback Maestro, and Ford's launching of the Sierra Sapphire saloon was the major event of the fleet car business in the past year, and one which hammered another nail into the ageing Cavalier's coffin.

At the higher "executive" level, fleet car marketing is more subtle. There is no room for anything so obvious as the LX-ploy because at this level, virtually all cars are sold into fleets where everyone knows the significance of such things.

Nor is there any clear agreement on whether an executive car should be a hatchback (Ford Granada, Renault 25) or a saloon (Rover 800, Vauxhall Carlton). There is however a clear trend towards fitting the biggest-selling versions with high-efficiency, fuel-injected, 2.0-litre engines giving the performance formerly expected of a 2.3 or 2.5-litre.

Ford will give this trend a major boost later this year when the Granada receives its new range of power units.

Automatic transmissions now feature very strongly at the executive level but there is very little sign of a similar breakthrough in the Sierra/Cavalier class. Newcomers to the fleet market show every sign of following existing evolutionary trends.

Nissan has been at pains to market the Washington-built Bluebird to fleets with an openly LX-type message: its fleet-oriented model is actually the SLX, complete with mandatory sunroof and choice of engine size and saloon or hatchback body style.

By contrast, Peugeot, whose 405 has just entered British production at Ryton, may find itself hampered by the lack of a hatchback version, and by the fact that the obvious fleet-choice version, the 405GL, offers the sunroof only as an option.

Meanwhile, industry researchers continue to take their soundings and feed them back to the product planners. Their key problem is devastatingly simple: what feature is going to take over from the sunroof as the next most-desired feature on the typical company car?

When the planners know that, and have further refined the cosmetic touches which make each salesman's workhorse look like an off-duty rally car, the next generation of fleet cars will be upon us.

Jeff Daniels

Diesel cars

Steady sales increase

THERE IS still a very long way to go before diesel cars are widely accepted in Britain, particularly in the all-important fleet market.

Even though the great majority of fleet operators know very well that the fuel economy of diesel-engined cars is significantly better than petrol vehicles, and that diesel cars tend to last longer, there are still reservations about the diesel's generally higher initial price and about residual values.

Sales of diesel cars have been increasingly steadily for the last few years, though from a very low base. Compared with many other European countries, the UK's sales penetration (which according to Glass's Guide estimates might exceed 5 per cent for the first time in 1988) remains very small.

In comparison, figures for 1985 reveal that total diesel penetration in Italy and Belgium had already reached 26 per cent; 22 per cent in Germany and 15 per cent in France.

Leslie Allen, director at Glass's Guide, believes fleet and business users have every reason to be cautious about diesels.

The four cardinal factors influencing buying decisions are capital costs, maintenance costs, fuel costs and residual values, and he notes that diesels score heavily for fuel economy and benefit also in relation to both capital and maintenance costs.

However, he says he is "far more cautious" when looking at the future of the residual values of diesels. "There is no doubt that during 1985 and 1986 residual values for most diesel cars were very strong, and in fact were better than the petrol variants.

"There were however only a limited number of these cars reaching the market. The increased supply in recent years together with the expected rise in the future will continue to change the position.

"Our own research has shown that at the start of 1986 diesels enjoyed a level of residual values some 3 per cent above those of comparable petrol cars. However, by the end of the year these had been narrowed and in most cases had reached parity."

As the supply of used diesel vehicles increases, it is debatable whether the present level of residual values will remain, he believes.

However, despite fears in the corporate sector about residuals, a recent report by the Taylor Nelson Research company indicates that as many as one in seven petrol car owners might buy diesel next time round.

The study into the diesel car market, carried out for a consortium of motor manufacturers and oil companies, involved more than 900 interviews with diesel and petrol car owners. Two hundred van owners and 130 fleet operators were also questioned.

Taylor Nelson's conclusion was that price is the key factor determining the rate and level of diesel penetration; and they note that aggressive marketing by diesel car manufacturers is already eroding the difference between petrol cars and their diesel counterparts.

The UK's best-selling diesel cars (Jan—Nov 1987)			%
1	Citroen BX	10,880	12.3
2	Peugeot 205	9,750	11.1
3	Ford Escort	8,928	10.1
4	Peugeot 309	7,781	8.8
5	Ford Fiesta	6,296	7.1
6	Ford Orion	5,226	5.9
7	Ford Sierra	4,406	5.0
8	Vauxhall Astra	4,209	4.8
9	Peugeot 305	3,287	3.7
10	Vauxhall Cavalier	2,787	3.2

Source: SMMT

The UK diesel car market is currently dominated by three suppliers - Ford, Peugeot and Citroen. Between them they account for nearly 70 per cent of all sales of diesels, despite the fact that 45 different diesel models are offered by a total of 16 different manufacturers and importers.

Market leaders are Ford with some 29.5 per cent of the diesel market, followed by Peugeot (24 per cent) and Citroen (15 per cent). Vauxhall accounts for a further 9 per cent, Nissan for 4 per cent and Mitsubishi for 3.5 per cent.

Volkswagen and Renault each account for 3 per cent and Mercedes-Benz for 2.5 per cent. The remaining 6.5 per cent is shared between Audi, Daihatsu, Fiat, Isuzu, Rover, Toyota and Volvo.

Of these minor players, both Fiat and Rover are gearing up for additional diesel sales.

The export successes Rover has been enjoying in recent months - particularly in mainland Europe - can only be underpinned by the addition of diesel derivatives. Rover is to offer diesel versions of both the Rover 800 and the R8 Maestro replacement in due course.

Fiat has also recently joined the UK diesel market, mainly to take advantage of possible changes in Derv taxation policy. Diesel versions of the Uno and Regata are already available and Fiat's new medium car, the Tipo, which is due to be launched in the UK in June, will also be offered with a diesel variant.

Of the market leaders, Ford consolidated its position as market leader by introducing a marketing programme that reduced the price of diesel cars to that of the equivalent petrol model.

However, the number of diesels sold by Ford is only about 4.5 per cent of its total sales - close to the current market average. In contrast, some 21 per cent of Peugeot's and 39 per cent of Citroen's sales are diesels.

Both companies have experienced dramatic growth in the diesel market. Peugeot sold 13,475 diesels in 1985. In 1986, when Peugeot sales overall increased by 17 per cent, diesel sales increased by 22.1 per cent to 16,500.

Growth in diesel sales was even more dramatic in 1987 when, with Peugeot's overall sales figures again increasing - this time by 16.8 per cent - diesel sales went up 42.4 per cent to 23,415.

Similarly, Citroen's share of the diesel market has increased from 0.8 per cent in 1983, to 4.8 per cent in 1984, 10.2 per cent in 1985 and 16.7 per cent in 1986. By the end of November 1987 Citroen had sold 13,350 diesel cars, taking 15.2 per cent of the total market.

Martin Derrick

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday January 27 1988

American Express loses $104m in fourth quarter

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN EXPRESS, the diversified US financial services group, reported a net loss of $104m or 24 cents a share in the fourth quarter, compared with a profit of $282m or 63 cents the year before.

The company's annual profit fell 52 per cent to $533m or $1.20 a share, compared with $1.26bn or $2.79 in 1986. The fourth quarter loss reflected big provisions against Third World exposure in the company's American Express Bank (AEBL) international banking unit and the impact of the stockmarket crash on Shearson Lehman Brothers, the large Wall Street brokerage house which is 71 per cent owned by American Express.

The company's biggest single business, the travel-related services division, which includes the charge cards and travellers cheques, continued to advance strongly, producing a 14 per cent rise in quarterly net income to $155m.

Annual net income from travel services rose by 16 per cent to a record $655m. IDS Financial Services, the company's insurance and investment services division, also turned in a good performance. Annual profits were up 24 per cent to $124m and quarterly profits of totalled $34m, 18 per cent higher than the year before after allowing for an accounting change.

AEBL posted an annual net loss of $625m, including $296m which it lost in the fourth quarter. AEBL's profits in 1986 were $167m for the year as a whole and $41m in the fourth quarter. The bank's fourth quarter loss was due to a $350m addition to Third World loan loss reserves.

Combined with a $600m provision taken in the second quarter of 1987, this charge raised AEBL's Third World reserves to 60 per cent of its non-trade related lending. AEBL also sharply reduced its total exposure to the Third World by sales and debt-equity exchanges.

The bank's total loans to rescheduling countries in the Third World fell during 1987 by 37 per cent, from $2.4bn to $1.5bn.

American Express's share of Shearson Lehman Brothers' $93m net loss in the fourth quarter came to $70m. For the year as a whole, American Express took $89m of Shearson Lehman's $101m net profits into its own net results.

●Shearson Lehman Brothers, meanwhile, reported sharply lower 1987 earnings resulting from the market collapse in October, and a fourth-quarter net loss of $95m or $1.18 a share compared with a profit of $106m the year before.

Shearson had previously said it had incurred a net loss of $72m in October, due partly to a pre-tax charge of $77m connected with the underwriting of the part privatisation of British Petroleum.

The company's annual profits were slashed by 70 per cent to $101m or $1 per share, compared with $341m in 1986, when the company was still owned by American Express.

Revenues for the year rose by 12 per cent to $5.1bn.

Raymond Snoddy talks to the head of News Corp about his stake in Pearson, publisher of the FT

Murdoch sets sights on US joint venture

MR RUPERT Murdoch, chief executive of News Corporation would like to form a joint venture with Pearson, publishers of the Financial Times, to launch a separate American edition of the FT to take on the Wall Street Journal in its own heartland.

Mr Murdoch, speaking in an interview in his headquarters in the New York Post building, said he believed the Wall Street Journal had a bigger circulation than it was able to charge advertisers for.

"Although they are getting better all the time there is room at the top of the market to attack the Wall Street Journal – the top 20 per cent layer. For the Financial Times to be selling 18,000 copies a day here is ridiculous. It should be 200,000 – it could be done," Mr Murdoch said.

Earlier this month the Australian-born publisher, who holds American citizenship, took his stake in Pearson to just over 20 per cent. He said he would be happy to print, distribute and contribute to a special American edition of the FT in a joint venture, a separate business or even under licence.

A Far East edition was also a possibility. Mr Murdoch said he had not yet outlined his thoughts on co-operation to the Pearson management. He was waiting for "some of the paranoia to settle" and to get the FT's centenary celebrations out of the way.

Mr Murdoch owns five national newspapers in the UK – The Times, Sunday Times, Today, News of the World and the Sun. He reiterated in the strongest terms that he had "absolutely no plans in any way to try to take over Pearson or the Financial Times" but emphasised that he wanted to work with Pearson.

"We'd like to work with them. If they keep insisting I'm hostile that could turn me into a hostile person." That could mean a decision to go and look for someone to buy the company. Mr Murdoch revealed that his interest in buying a stake in Pearson dated from last spring. He

Rupert Murdoch: Might lift stake to 24.9%

was approached by a large international investment bank with headquarters in New York, which he declined to name.

The proposition was that he should mount a full takeover bid for Pearson. "In the end I said: 'Look, I'll buy a stake'. They said they didn't want to be involved in a long drawn-out situation because it was too sensitive for the Financial Times and the City (of London)."

Would he ever consider selling The Times in the hope of being able to get a Financial Times purchase past the Monopolies and Mergers Commission? "No I would not. Absolutely not. I think The Times is a great newspaper and can be a much greater one," Mr Murdoch replied.

Lord Young, the UK Trade and Industry Secretary, has made it clear that he would not give Mr Murdoch permission to own the Financial Times while he owned The Times.

Mr Murdoch said there was no conflict between statements he made that he would never bid for more than 25 per cent of Pearson and a recent undertaking to the Takeover Panel (which monitors company takeovers) that he would not launch a bid for Pearson for at least 12 months unless there was a material change in the circumstances of the company.

He stood by his original comments, and the Takeover Panel statement merely reflected the "minimalist" formal language they preferred.

"We know we can't own the Financial Times in London. The Monopolies Commission wouldn't allow you to have four daily newspapers. I think if I sold The Times and closed Today and said: 'Now can I have the Financial Times,' I think they would say no."

Mr Murdoch said he might lift his stake in Pearson to 24.9 per cent but that would depend on trading conditions. "So far as I am concerned it is a safe investment. We can afford it and we are just going to play it by ear."

He might sell the Pearson stake, however, if something else came up such as an opportunity to buy a major publisher and he needed the money.

Solid performance for Morgan

BY OUR NEW YORK STAFF

MORGAN STANLEY, the large US investment bank, remained solidly profitable in the fourth quarter, confirming earlier reports that it had passed relatively unscathed through October's stock market crash.

Net profits were $31.4m or $1.16 a share, sharply down on 1986's $65.2m or $2.31. But the drop was largely due to a $75m pre-tax loss related to underwriting of the British Petroleum issue.

This loss, combined with the abrupt decline in underwriting and merger activity after the crash, led to a 76 per cent decline in investment banking revenues, which totalled $60.6m, compared with $44.7m in the fourth quarter of 1986.

However, revenues from principal transactions, net interest receipts and commissions all increased during the quarter, resulting in a pre-tax profit of $37.1m, compared with $82.1m a year earlier. The tax charge was down sharply at $5.7m, against $23.9m.

Mr Parker Gilbert, chairman, singled out the sales and trading areas as having performed particularly well in the "volatile and challenging environment" of the last quarter.

For 1987 as a whole, net income was $230.9m or $8.89 a share, 15 per cent up on 1986's $201.3m or $8.42. Net revenues rose 24 per cent to $1.77bn.

Fresh fall in profits for Boeing

BY OUR NEW YORK STAFF

BOEING, the world's leading maker of commercial aircraft, has reported a further fall in profits for the fourth quarter and full year because of increased research and development costs and other factors associated with new manufacturing programmes.

Net profits for the quarter fell to $141m or 92 cents a share, from $191m or $1.23 a year earlier – the fourth quarter in a row profits declined on a year-to-year basis. Pre-tax earnings fell to $199m from $267m. Revenues slipped to $4.6bn from $4.96bn.

Full-year net earnings fell to $480m or $3.10 a share from $665m or $4.28 on sales of $15.36bn against $16.34bn. Pre-tax earnings dropped more sharply to $658m from $1.03bn.

The company delivered 299 civilian aircraft last year, eight more than in 1986. During 1987, Boeing booked orders for 366 jet aircraft and 46 turboprop worth a record $20.2bn, taking its firm backlog to $33.2bn from $26.4bn in 1986. It expects 1988 sales of about $17bn.

Research and development costs increased to $824m from $757m while administrative charges rose to $793m from $606m.

Profits were also hit by product improvement and other new business costs associated with commercial aircraft, computing and electronics; a strike at its De Havilland subsidiary in Canada; performance problems on several military aircraft programmes; and pressure on profit margins.

The Royal approves takeover of Dome

By David Owen in Toronto

ROYAL BANK OF CANADA, Canada's largest financial institution, has removed what many regard as the last major obstacle impeding the acceptance of Amoco Canada's C$5.5bn (US$4.33bn) bid for Dome Petroleum by announcing its approval of the US-controlled company's takeover proposal.

The Royal is the last of Dome's principal creditors to give the proposed takeover its blessing. The bank said it had reached an agreement "that substantially meets our particular expectations with regard to the Royal's loans to the Dome Petroleum Group."

It added that its exposure to the beleaguered Calgary energy group amounted to some C$200m in secured and C$40m in unsecured loans. "Our concerns centred on the proposals affecting the secured portion of our loans," the bank said.

Under the terms of Amoco's offer, Dome's secured creditors (who are owed C$3.4bn) would receive 95.4 cents on the dollar, with unsecured creditors (owed a further C$2.1bn) getting 45 cents. Dome's common shareholders would get C$1.50 a share in cash and Amoco securities, while preferred shareholders would receive C$6.50.

The Royal's announcement came on the eve of a court appearance by Amoco Canada, a wholly owned subsidiary of Chicago's Amoco, to seek a judicial assessment of the degree of support which exists for its bid among Dome lenders and shareholders.

During the course of the hearing, before which 31 companies and individuals have filed notice of their intent to appear, Amoco is expected to seek instructions on how to go about seeking shareholder and creditor approval for its actions.

Merck boosted by weak dollar

BY RODERICK ORAM IN NEW YORK

MERCK, boosted by strong market acceptance of new drugs at home and abroad and the sharp decline in the dollar, has reported sharply higher sales and profits for the fourth quarter and year.

The New Jersey company's net profits for the three months ended December were $232.4m or $1.75 a share, up 35 per cent from $171.8m or $1.26 a year earlier. Sales grew 21 per cent to $1.39bn from $1.15bn.

Full-year net rose 34 per cent to $906.4m or $6.68 a share, in line with analysts' estimates, from $675.7m or $4.85 a year earlier.

Sales advanced 23 per cent, with the lower dollar accounting for six percentage points of the gain, to $5.06bn from $4.13bn. Foreign sales, however, advanced to 51 per cent of the total from 49 per cent in 1986.

Dr Roy Vagelos, chairman, said: "Income growth and improved earnings margins resulted from unit volume gains, a better product mix, a lower effective tax rate, the continuation of cost controls and productivity improvements as well as the favourable effect of (foreign) exchange."

Vasotec, introduced in 1986 in the US and Japan to reduce blood pressure, became the group's best-selling drug last year.

Well-received drugs launched in the past two years included Pepcid, an ulcer treatment, Mevacor, which lowers cholesterol levels, and Recombivax, a hepatitis B vaccine.

At the year-end, Merck received US approval for Prinivil, another blood pressure reducer. Early reports show the drug has been well received.

Earnings per share for the year also benefited from Merck's repurchases of common stock during 1986, it said.

The program of additional repurchases of $1bn of stock, announced in July, was completed during the fourth quarter, the company said. Warner-Lambert, another leading US drug company, has also reported further growth of net operating profits and sales, closely in line with its recent forecasts.

Net profits rose to $66.3m or 95 cents a share, from $56.5m or 79 cents on sales of $909.7m against $812.6m.

Full-year net was $295.8m or $4.15 a share, against a year-earlier figure of $303.5m or $4.18, which included a 64 cents a share gain from the sale of a subsidiary. Sales grew to $3.48bn from $3.1bn.

3M rises 16% to $216m in three months

By Our New York Staff

MINNESOTA MINING and Manufacturing (3M), the diversified US industrial group, has reported steady profit and sales growth for the latest year and quarter, reflecting the favourable impact of a lower dollar and strong domestic demand.

Net profits for the three months ended December rose 16 per cent, to $216m or 95 cents a share from $185m or 81 cents a year earlier. Revenues grew by 12 per cent, to $2.38bn from $2.12bn. The foreign exchange translation effect of the lower dollar added $23m or 10 cents a share to profits.

Full-year net grew by 18 per cent, to $918m or $4.02 from $779m or $3.40, on sales ahead 10 per cent to $9.43bn from $8.6bn.

Northern Telecom advances

By Robert Gibbens in Montreal

NORTHERN Telecom (Nortel), the telecommunications equipment maker controlled by Canadian industrial holding company, BCE, has reported improved revenues and profit in 1987.

The company forecast further gains in 1988 if a recession is avoided.

Its 1987 results include its share of profits in STC of the UK from the date of acquisition of its holding last November.

Nortel posted fourth-quarter 1987 net profits of US$140m or 57 cents a share, up from $132.2m or 54 cents a year earlier, on revenues unchanged at $1.3bn.

For all of 1987 earnings were $347.2m or $1.39 a share, up from $313.2m or $1.28 in 1986, on revenues of $4.9bn against $4.4bn.

Better results came from the central office switching sector, business systems, terminals and transmission products. Canadian revenues were strong in the fourth quarter.

Order intake in the fourth quarter increased by 15 per cent year to year and the total orderbook at the end of 1987 was almost US$1.6bn, up 4 per cent.

Capital spending in 1987 was up 37 per cent to $417m and will continue at high levels, the company said.

Amoco doubles earnings as product margins rise

BY OUR NEW YORK STAFF

AMOCO, the US oil group, more than doubled profits in the fourth quarter to $377m or $1.47 a share, from $165m or 65 cents. In 1987 as a whole, Amoco made $1.36bn or $5.31 a share against $747m or $2.91.

Revenues increased 11 per cent to $22.39bn. Amoco attributed the improvement to the rise in crude oil prices, which averaged $3 to $4 a barrel more in the fourth quarter of 1987 than a year earlier.

Amoco said the latest quarter's results were also favourably affected by improved refined product margins and continued strong demand for chemical products.

Higher results for the year reflected lower exploration expenses, the absence of a $162m special charge in 1986 and a second consecutive year of record earnings by Amoco's chemical segment.

Arco showed earnings of $340m or $1.86 a share in the fourth quarter, against $64m or 35 cents a year earlier. Its annual profits were $1.22bn or 6.68 a share, an increase of 99 per cent on the $615m or $3.38 it earned in 1986. Total annual sales increased 12 per cent to $16.83bn.

Unocal reported quarterly net earnings of $30m or 26 cents a share, down from $49m or 42 cents in the last quarter of 1986. The decline was due to lower gains on asset sales. Annual profits were $181m or $1.56 against $176m or $1.51.

Costs hold back Quaker

BY OUR FINANCIAL STAFF

QUAKER OATS, the US foods and toy group, yesterday posted lower second-quarter earnings, largely because of an 11 per cent rise in advertising and merchandising costs.

Overseas operating income for the quarter had risen, mainly because of a 4 per cent increase in volume, an improved product mix and stronger European currencies.

For the December 31 quarter, earnings were $45.5m, or 56 cents a share against $88.1m, or $1.13 a share in 1986. The year-ago results included a gain of $58m, or 74 cents a share, from discontinued operations.

Operating earnings rose mainly on strong results in the Fisher-Price toys division.

Net financing costs rose because of foreign exchange losses relating to the devaluation of the Brazilian cruzado and hedge losses from weakness of the US dollar against European currencies.

Fermenta to sell US unit

By Sara Webb in Stockholm

FERMENTA, the Swedish animal health and chemicals group rescued from the brink of collapse last year, has agreed to sell Cedar Chemicals, its agricultural chemicals subsidiary in the US, to Nine West Corporation for an undisclosed sum.

Mr Arie Genger, the chairman of Nine West Corporation of the US, is also the chief executive and driving force behind Trans Resources Inc (TRI), the privately owned holding company which made an unsuccessful attempt to acquire Fermenta last summer.

TRI was particularly interested in the Cedar Chemicals subsidiary, which mines potash and produces potassium compounds used for agriculture, because these would have complemented TRI's potassium operations.

USX suffers $14m loss in final quarter

BY OUR NEW YORK STAFF

USX, the US steel and energy group, said yesterday it had a small loss in the fourth quarter because of non-cash charges which otherwise obscured a strong operating performance. Full-year results were markedly better compared with 1986's, which were hit hard by restructuring charges and a steel strike.

The net loss for the three months ended December was $14m or 13 cents a share, after non-cash charges of $141m, against a loss of $1.4bn or $5.55 a year earlier which reflected huge restructuring costs. Operating profits were $206m against a loss of $1.55bn, on sales of $4.23bn compared with $2.78bn.

Wall Street analysts had expected the group to show further net profit growth in the latest period as it continued to rebound from its deep problems of the mid-1980s and a long steel-making strike which continued adversely to affect operations into the third quarter of 1987. Its shares fell $¼ to $31⅝ by early afternoon.

Full-year net was $219m or 54 cents a share against a loss of $1.83bn or $7.46 a year earlier. Operating profits were $924m compared with a loss of $1.48bn, while sales rose to $14.84bn from $14.94bn.

USX's steel division turned in operating profits for 1987 of $125m on sales of $3.7bn, against a loss of $1.37bn on equal sales. Restructuring charges had a favourable impact of $66m in the latest year and a negative impact of $1.03bn a year earlier.

"We are encouraged by the strong market and increasing prices for domestic steel and forsee further improvements in 1988," Mr David Roderick, the chairman, said.

In the fourth quarter, the steel division's operating profit was $89m on steel shipments of 3.3m tons and sales of $1.5bn, against an operating loss of $1.17bn on sales of only $255m in the same period of 1987, reflecting the strike.

INTL. COMPANIES AND FINANCE

Marine Midland lifts provisions

BY DAVID DODWELL IN HONG KONG

MARINE MIDLAND, the US bank which last September became a wholly-owned subsidiary of Hongkong and Shanghai Banking Corporation, yesterday announced additional provisions of US$200m against possible bad debts in Latin America, taking the total for the year to $600m.

The new provisions, which had been signalled by a number of banking analysts, played a large part in the bank reporting a net loss for 1987 of $408.8m, compared with net income of $145m in 1986.

About $270m of the provisions are attributable to Hongkong Bank, but will not affect the parent's 1987 profits – due to be unveiled on March 15 – since they have been debited to the bank's inner reserves.

Mr Willie Purves, the chairman of Hongkong Bank, said: "In common with a number of US banks, Marine decided to make additional provisions. This was realistic and a sensible way to deal with the problem of Latin American debt."

At the end of 1987, Marine Midland's loan loss reserve stood at $892m, or 4.24 per cent of total loans. The bank said yesterday that about $700m was available for "highly indebted countries in the process of refinancing" and that this amounted to about 42 per cent of outstanding loans to these countries.

Other costs contributing to the loss for the year were expenses incurred during the Hongkong Bank takeover and the exclusion of income "related to certain non-accruing international loans." An official said the underlying performance of Marine Midland's consumer and commercial banking businesses in New York State had been strong, "reflecting the success of the company's strategy of focusing on higher return, primarily domestic, business."

Also in Hong Kong, **Bank of East Asia**, controlled by the Li family, reported consolidated profits for 1987 of HK$223.9m (US$28.7m), a 21 per cent improvement on 1986 profits of HK$185.2m.

The bank declared a final dividend of 50 cents, taking the total for the year to 75 cents, up from 63 cents last eyar. It also announced a one-for-five scrip issue.

Bank of East Asia, Hong Kong's largest family-controlled bank, has been listed since 1959 and has built up an important intermediary role between foreign and Peking-controlled banks operating in the territory. Mr David K.P. Li, the chief executive, heads Hong Kong's Chinese Bankers' Association.

Last August, in an attempt to pre-empt rumours of a possible hostile takeover, the bank reached agreement with China Development Investment, a company closely linked with the Bank of China, and Société Générale of France, to sell to them a total of 9.99 per cent of its issued capital.

The Li, Fung and Kan families which set up the bank are said to control about 55 per cent of its shares, though directors' interests amount to just 14.5 per cent, according to the latest company report. Among major shareholders is Mr Ronald Li, former chairman of the Hong Kong Stock Exchange, who currently faces criminal charges alleging corruption linked with stock exchange transactions. He has no executive links with the bank.

Profits rise at Kuwait bank

BY OUR FINANCIAL STAFF

NATIONAL BANK of Kuwait (NBK), the country's largest commercial bank, increased 1987 net profits by 5.1 per cent to KD26.7m ($97m) as it continued to expand outside the Gulf.

This was its third consecutive year of profit growth despite adverse conditions caused by local recession, the Iran-Iraq war, and non-performing loans.

NBK is the only commercial bank of the six in Kuwait which has not come under government support since the 1982 collapse of the unofficial stock market. A bank official said end-1987 assets slipped to KD3.02bn from KD3.03bn excluding contra accounts, because of an emphasis on profitability rather than growth.

Foreign loans accounted for 45 per cent of the total loan portfolio at the end of last year, the official said. Total liabilities were KD2.77bn, down slightly from KD2.80bn.

NBK, which is owned by Kuwaiti nationals, will distribute KD2.5m of its net profit to statutory reserves, KD9.2m to general reserves and KD15.5m in a cash dividend to shareholders.

It said the dividend, representing 22 per cent of shareholders' equity totalling KD236.5m, would be accompanied by a bonus share issue representing 10 per cent of shareholder funds. In 1986, shareholders' equity was KD217.5m, from which a 20 per cent cash distribution was made.

First results from Press in four years

By Victor Mallet in Lusaka

PRESS CORPORATION, which controls nearly a third of Malawi's economy through its interests in agriculture, manufacturing, trading and financial services, has come out of its cocoon of secrecy and released its first results since restructuring four years ago.

So important is Press to Malawi that the International Monetary Fund and the World Bank were involved in negotiations to restore the company to financial health after its virtual collapse.

Turnover in the year to last September rose to 362.4m Malawi kwacha ($147.6m) from MK294.2m a year earlier, while pre-tax profit more than doubled to MK38.2m from MK18.5m. Earnings per share were MK16.73 compared with MK8.31.

The company said prospects for the current year were promising if there were no further reductions in the level of import permits.

Generally regarded as part of the private sector, Press shares are held by President Hastings Kamuzu Banda in trust for the nation. As the company recovers and works off its debts the trust is receiving only a small fixed sum annually.

Earnings advance for Kajima

BY IAN RODGER IN TOKYO

PRE-TAX PROFITS of Kajima, one of Japan's leading construction groups, rose 13 per cent to Y32.2bn ($252m) in the year to November.

Sales were down fractionally to Y1,014.6bn, although orders received rose 12.1 per cent to a record Y1,100.5bn. Orders for building increased by nearly 20 per cent. Net profit was up 9.9 per cent to Y14.6bn or Y17.3 per share, and the annual dividend was maintained at Y9 per share.

Fujita, a second division construction company, said its pre-tax profit in the year to November was up 32 per cent to Y19.2bn, thanks largely to soaring land prices. The company specialises in urban redevelopment in the Tokyo area.

Sales rose only 2.9 per cent to Y491.9bn. Construction orders received were up 6 per cent to Y390.4bn. Net income gained 12.4 per cent to Y4.5bn and the company intends to pay an annual dividend of Y6, up 9 per cent.

Both companies are changing their year-end to March. Consequently, the next results will deal with only a four-month period.

Ono Pharmaceutical increases payout

BY CARLA RAPOPORT IN TOKYO

ONO PHARMACEUTICAL, a medium-sized Japanese drug company, showed profits up by 32.5 per cent for the year to last November thanks to improved sales of a wide range of drugs.

The company said that sales of its drugs for treating diseases of the pancreas, circulatory and respiratory disorders were the most successful in the year.

Pre-tax profits as a result rose to Y23.2bn ($181.6m) on sales of Y64bn, up 15.7 per cent.

The company decided to increase its annual dividend to Y10 from Y9. For the current year, the company forecasts pre-tax profits up to Y29bn on sales of Y66.5bn. The sales increase in the current year will be constrained by a scheduled cut in drug prices by the Japanese Government.

Bayerische Landesbank forecasts downturn

BY HAIG SIMONIAN IN FRANKFURT

BAYERISCHE LANDESBANK, the third biggest Bavarian bank, expects 1987 partial operating profits to fall by about 13 per cent to just under DM500m ($298m), according to Mr Ludwig Huber, its president.

Despite the fall, Mr Huber described the year as one of continuing success in difficult circumstances. It plans to pay a renewed 7 per cent dividend.

Total group assets reached about DM131bn last year while total assets at parent company level rose by about 9 per cent to DM125bn.

In 1987, the bank's interest income fell by 2 per cent to about DM922m against the previous year's record DM944m. As at most other big German banks, commission income fell much more sharply, by 16 per cent to DM115m.

Following last week's announcement of a merger between the two Landesbanken in neighbouring Baden-Württemberg and renewed talk of further alliances among Landesbanken, Mr Huber said "the development in southern Germany will go further . . . I assume that the pressure of competitive and political circumstances will be decisive for cross-border fusions."

Malbak buys controlling interest in Abercom

BY JIM JONES IN JOHANNESBURG

MALBAK, the Gencor group's industrial arm, has taken control of Abercom, the South African engineering company, in a deal worth about R25m ($12.6m).

Sanlam, the country's second largest insurance company and the 56.8 per cent owner of Abercom, has exchanged its 11.54m Abercom shares for new Malbak shares in the ratio of 305 Malbak for 1,000 Abercom.

Abercom, one of the Johannesburg Stock Exchange's high fliers of the 1970s, ran into trouble some years ago after expanding through acquisitions in the US. Its Davidson Fan division has fallen into losses in the US as difficult trading conditions have been exacerbated by the reluctance of American electricity utilities, the principal customers, to deal with a South African-owned fan manufacturer.

Davidson's European and UK trading has failed to match budgeted profits and, as part of the present takeover, Davidson has been sold to Howden Group of the UK for £9.5m ($16.8m) cash. Howden will procure Abercom's release from guarantees given on behalf of the fan division.

In the year to last June, Abercom's turnover was R246m and its after-tax profit R7.8m. A dividend of 15 cents was paid from earnings of 40 cents a share.

Magnum wins Progressive Enterprises

MAGNUM, THE New Zealand liquor and tobacco group, yesterday declared acceptances for 86.4 per cent of Progressive Enterprises, a supermarket operator, for which it will now close its takeover offer on Friday, **Reuter reports from Wellington.**

The company said that Australia's Coles Myer was believed to hold 11 per cent of the shares for which acceptances had not been received. Both New Zealand companies are quoted subsidiaries of Brierley Investments, which has been moving to consolidate some holdings.

Kevin Done on the launch of the Tipo, the latest Italian hatchback

Fiat mounts small car challenge

FIAT, THE Italian motor group, has launched the second stage of its ambitious recovery strategy aimed at taking over the leadership of the European car market and consolidating its dramatic financial recovery.

With the much-awaited unveiling yesterday of the Tipo, it finally has a serious contender in the vital small family car segment of the European car market to challenge entrenched competitors like the Volkswagen Golf, the Opel Kadett (Vauxhall Astra in the UK) and the Ford Escort.

Hitherto Fiat's recovery has been founded on the dangerously narrow base of the Uno, its best-selling supermini launched in 1983. The success of the Tipo is now vital if the group is to sustain a long-term improvement and banish as a bad memory the chaotic days at the beginning of the 1980s, when its car plants were paralysed by strikes and the group teetered on the edge of financial collapse.

As an earnest indication of its European ambitions and new business-like approach Fiat yesterday eschewed the traditional glossy car launch in some remote, exotic location. Instead, Mr Vittorio Ghidella, managing director of Fiat Auto, the group's car division, addressed simultaneous press conferences in London, Rome, Frankfurt, Madrid and Paris, linked directly from his Turin office by satellite.

Mr Ghidella, the man who has masterminded the transformation of Fiat's automotive fortunes, has learned important lessons from the crisis.

With Fiat's overwhelming domination of the home market — with a share last year of about 60 per cent — he has sought to reduce its vulnerability by broadening its European base, and the Tipo is the first Fiat which has been designed from the original concept as a European, rather than an Italian, car.

At the same time Mr Ghidella has taken Fiat to the forefront of automated car production technology. Fiat, which had earlier broken new ground with its fully integrated robotised engine (FIRE) plant in southern Italy, claims to have set new standards in the automation of the car production process itself.

The early stages of the production process in the press shops, body assembly, and paint shops have been fully automated. It has made great use of the pre-assembly of component sub-groups such as the engine, brakes and suspension in modular form and it has managed to mechanise as much as 70 per cent of the mounting of these mechanical parts.

The Tipo: designed to redress the balance of power in the European market

Perhaps Fiat has made most progress, however, in the final assembly, where the world's car makers have met the most difficult challenges in the quest for greater automation. Mr Pier Giorgio Tronville, Fiat Auto's director of design development, said yesterday that as much as 50 per cent of the final assembly work has now been automated at the Tipo production plant at Cassino, south of Rome, compared with levels of only 20-30 per cent at most rival manufacturers.

Robots are mounting the dashboards, pedals, steering columns and heating systems, and are automatically testing the switches and steering column stalks. Windscreens, rear windows and front seat are also mounted automatically.

The number of workers has not been radically reduced, although Mr Tronville said that the higher degree of automation had saved three hours, or more than 10 per cent, of direct labour per car. The production time was down to 25-35 hours per car depending on the model, which represented a saving of about 15 per cent on the 10-year-old Ritmo/Strada model, which the Tipo replaces.

With its Uno model, launched in 1983, Fiat has managed to gain a dominating position in the segment of the supermini in Europe, with sales last year of 698,000 and a share of 19.6 per cent. But one step further up in the market Fiat has been weak and vulnerable. Until now it has never mounted a serious challenge to the market leaders: VW Golf; Opel Kadett/Vauxhall Astra; Ford Escort; and the Peugeot 309.

The Tipo, a five-door hatchback with front-wheel drive, is designed to redress the balance of power. The car comes initially with a choice of five engines, 1.1, 1.37 and 1.58 litre petrol engines, a 1.69 litre diesel and a 1.929 turbodiesel.

Fiat claimed that it won 14.3 per cent of the European car market last year, giving it second place behind Volkswagen, which captured 14.9 per cent. Mr Ghidella said that the Tipo could give Fiat at least an additional half a percentage point next year, in the first full year of production.

La Générale awaits commission verdict

BY TIM DICKSON IN BRUSSELS

THE FATE of Société Générale de Belgique, the Belgian holding group which is under attack from Mr Carlo De Benedetti, the Italian businessman was hanging in the balance last night as both company and predator awaited the outcome of key legal developments.

The next move in the dramatic nine day old saga was thought likely to be determined by the Belgian Banking Commission, the government-appointed body which discreetly polices stock market activity and which is considering the detailed terms of Mr De Benedetti's offer.

Société Générale has complained that Mr De Benedetti, who already directly and indirectly controls 18.6 per cent of the company through Cerus, his Paris-based holding company, and intends to bid for an unspecified proportion of the rest, has not followed the proper procedures in informing the authorities ahead of the move.

Mr De Benedetti, meanwhile, has successfully complained to a Brussels commercial tribunal that Société Générale's "poison pill" decision to issue up to 12m new shares into safe hands (thereby diluting his stake) was contrary to local takeover rules, though in a further twist the court's view appeared to be contradicted by the banking commission itself late last week.

The commission's eagerly awaited verdict, however, was only one of the imponderables being discussed in Brussels yesterday.

Another was the surprise intervention of Mr André Leysen, chairman of Gevaert, the leading Flemish holding company, who revealed that he is leading a group of companies willing to pay between BFr20bn and BFr25bn ($716m) for a roughly 25 per cent stake in Société Générale.

Last night it emerged for the first time that this group includes Assurantics van de Belgische Boerenbond, Ibel, Cobepa (another leading holding company which has a big stake in Gevaert) and Royale Belge (the country's second biggest insurance concern).

Mr Leysen is a prominent Belgian businessman, formerly head of the Belgian employers Federation and until last year president of the Agfa-Gevaert Group, the photographic film group which is owned by Bayer.

Mr Leysen first made his presence felt in Belgium in the mid-1970s as saviour of De Standaard, the leading Flemish newspaper, but he moved on to greater challenge of Agfa-Gevaert, which was split 50-50 between German and Belgian shareholders when he arrived in 1979. He went on to concentrate Agfa-Gevaert in West German hands.

Mr Leysen appears to have emerged as a protector of Belgian interests against the De Benedetti incursion, though analysts remain uncertain as to which way he will jump. He has said that he wants to retain a Belgian management. But like Mr De Benedetti he also speaks enthusiastically of the opportunities of wider European collaboration.

While Mr De Benedetti's initial reaction to Leysen's intervention was cool, the door for further negotiations has been left conspicuously open.

Electricité de France sees dive into loss

BY GEORGE GRAHAM IN PARIS

ELECTRICITE DE France (EDF), the French state utility, will plunge back into loss this year after three years of profits, unless the Government changes its mind and allows it to raise prices immediately.

Mr Pierre Delaporte, chairman of EDF, said yesterday that the electricity group would just have been able to break even if it had been allowed to raise its prices by 2.5 per cent from the beginning of the year.

The Government has made it clear, however, that no rise will be permitted until the summer — after the presidential election in which Mr Jacques Chirac, the Prime Minister, is a candidate.

EDF is losing FFr8m a day at current prices, leading to a loss of FFr1.5bn ($265m) if the 2.5 per cent increase is authorised in July.

Mr Delaporte said that EDF — which was buried under a mountain of FFr224bn debt, 1.65 times last year's FFr135.6bn sales, and annual financial costs of over FFr25bn — had already failed to reach its forecast for profits in 1987 because of the 4 per cent tariff reduction in electricity prices, in real terms, forced on it by the Government.

Net profits in 1987 reached FFr200m — "three times nothing at all" according to Mr Delaporte — rather than the FFr1.5bn originally forecast on the assumption that tariffs would only have to fall by 1 per cent in real terms.

Electricity costs have fallen in real terms by 8 per cent since 1983 for households, Mr Delaporte said, and by 11 per cent for industrial users. EDF claims to be the second cheapest European Community supplier

The group exported a net 29.8bn kilowatt hours in 1987, up 17 per cent from the previous year. Net sales to the UK nearly tripled to 12bn kwh, thanks to the installation of the cross-Channel cable.

Thyssen unit lifts earnings to DM88.7m

By Our Financial Staff

THYSSEN HANDELSUNION, the steel and raw materials subsidiary of Thyssen group, increased pre-tax profits for the year ended September 1987 to DM88.7m ($53m) from DM66m in the previous year.

Mr Dieter Vogel, the management board chairman, said world turnover last year fell to DM11.8bn from DM15.5bn because of lower sales and prices and currency factors.

He said earnings in the current year should show a further improvement and turnover so far was stable.

Mr Vogel said the company wanted to make acquisitions to enlarge its business, particularly in the services sector. Handelsunion wanted to strengthen its recycling, distribution, project management and environment divisions.

Handelsunion contributed DM14m to its reserves last year and DM17m of its profits to the Thyssen group.

Portugal plans airline sale

TAP-AIR Portugal, the state airline, intends to sell to the public 49 per cent of Air Atlantis, its charter subsidiary, some time this year, writes Our Financial Staff.

Mr Joao Lencastre, the TAP chairman, said Air Atlantis posted net profits of Es300m ($2.2m) in 1987, while TAP itself ran up a loss of Es2bn.

A bill is being discussed in parliament which would allow the partial privatisation of state-owned groups. Mr Lencastre said shares in Air Atlantis would be sold through a public offer of sale on the Lisbon Stock Exchange.

He added that TAP should post a modest profit this year. The airline carried a record 2.4m passengers in 1987, a 14 per cent rise.

Biggest Eurosterling issue yet for Sears

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

SEARS, THE UK retailing group, yesterday made the largest corporate Eurosterling issue yet seen, a £200m deal which will partly fund its £477m acquisition of Freemans, the British mail order group.

The five-year issue was led by Credit Suisse First Boston and was generally thought to be fairly priced at 101½ with a 10½ per cent coupon. However, it ran into a choppy gilt-edged market as the day progressed.

Sears (which is not connected to Sears, Roebuck, the US retailer) was seeking to fix just over 40 per cent of the cost of financing its acquisition of Freemans, which arose from a contested bid. Like most predators since the stock market crash, Sears had offered straight cash to Freemans shareholders.

CSFB admitted to some nerves about launching such a large issue, especially as it was not priced to appeal to asset-swappers. The launch price provided a yield over gilts of 78 basis points, net of fees, but sales were made within this spread throughout the day.

Dealers said they had seen demand for the bonds from retail clients, especially on the Continent. Gilts and sterling were both easier during the day, with the former ending ¾ lower. Against this background, the Sears bond slipped to two points below issue price on brokers' screens at one stage, but finished bid 1¼ below, inside the 1⅞ total fees.

The Eurodollar sector had a breather from the recent run of new issues and syndicate managers will have been glad of this when they saw the 6.7 per cent monthly rise in US durable goods and the subsequent weakness of the US Treasury market. However, recent issues appeared to be holding their spreads.

The D-Mark bond sector is beginning to show some signs of indigestion after its modest

INTERNATIONAL BONDS

spate of recent issues. Nevertheless, a large DM500m issue from the World Bank, initially syndicated as a club deal among a small group of banks, appeared to be absorbed well.

This was particularly noticeable, since rumours had put the size of the issue much larger and had even suggested a 10-year maturity. As it turned out, the issue was for five years and was priced at 100½ by Deutsche Bank with a 5 per cent coupon. It was bid at less 1.1.

Statoil's DM400m 10-year issue, launched late on Monday, was meeting a stickier response. It was thought tightly priced with a 6⅛ per cent coupon and was quoted around less 2½ bid, a discount equal to the total fees.

D-Mark Eurobonds were steady, though some recent five-year issues lost 20 basis points after the World Bank's was launched. On the domestic market, institutional demand produced price gains of about 20 basis points.

In Switzerland, foreign bond prices firmed. The SFr100m issue for the Soviet Union's **Bank for Foreign Economic Affairs** ended its first day's business 1¼ points below its 101 issue price.

The guilder market saw its first listed Eurobond, a Fl 200m seven-year deal for **Akzo,** the Dutch chemicals group. Led by CSFB-Nederland, it carries a 6¼ per cent coupon and par pricing. **Société Générale Bank Nederland,** with the French parent's guarantee, made a Fl 75m five-year issue through Amsterdam-Rotterdam Bank, priced at 100¾ with a 6 per cent coupon.

The Finnish markka sector was reopened with a FM300m five-year issue for **Nordic Investment Bank,** priced at par with a 9½ per cent coupon by Kansallis-Osake-Pankki. It traded on its fees.

In Canadian dollars, **Ville de Montréal** issued C$75m of five-year 10 per cent bonds, priced at 101¾ by Société Générale. It was priced to yield 70 basis points above Canadian Treasuries and held to this, although its price moved outside the fees as the Canadian market weakened in line with the US.

An A$50m five-year 13 per cent issued, priced at 101¾, was launched by EBC-Amro Bank for for **Westland-Utrecht Hypotheek Bank,** guaranteed by its parent Nationale Nederlanden.

Europaper programme of $300m for BET

By Clay Harris

BET, THE UK-based international services group, is to launch a $300m Eurocommercial paper programme as part of a more than doubling of its worldwide commercial paper facilities.

The company also said yesterday its ordinary shares would be listed on the Amsterdam bourse from Friday and begin trading in Frankfurt on February 5 and in Paris on February 12.

The extension of commercial paper programmes to a worldwide total of $500m and £250m is intended not only to give BET more flexibility in its borrowing but also to allow it to move swiftly to tie up potential acquisitions.

Mr John Griffiths, finance director, said yesterday: "This would enable us to do the deal and then separately make the financial arrangements."

The Eurocommercial paper facility, which was arranged by Merrill Lynch, will be BET's first venture into the Euromarkets since it redeemed a £65m convertible Eurobond in September. In addition to Merrill Lynch, dealers are Goldman Sachs, Swiss Bank Corporation International and SG Warburg.

BET is also to replace an existing £150m sterling programme with a new one for £250m, arranged as previously by Samuel Montagu, with Barclays de Zoete Wedd, Kleinwort Benson and Morgan Grenfell also as dealers. Its US facility will be increased from $150m to $200m. Merrill Lynch is sole dealer.

Although BET has been using most of its existing facilities, the increase did not signal an intention to increase overall borrowings but to allow the company to choose between them depending on market conditions, Mr Griffiths said.

The bourse listings follow BET's international debut in New York, Toronto and Montreal last year. No new shares will be issued. In addition to making future acquisitions easier, the listings are also seen as a way of raising BET's commercial profile in the countries concerned.

Hilary Barnes reports from Copenhagen on tighter borrowing rules

Danish bank rights curbed

THE RIGHT of Danish banks and savings banks to meet their cash requirements through loans from the National (central) Bank was curbed by the National Bank yesterday.

The move is a disciplinary measure, which follows the closure of two small banks in Copenhagen last year in circumstances which caused the Bank Inspectorate to allege irregularities of a criminal nature at both banks.

Until now, banks have been able to borrow the equivalent of 40 per cent of their equity capital without providing collateral. From now on, the limit for unsecured loans will be 25 per cent of equity capital, while loans above this level and up to 40 per cent of equity capital will be given only against security.

The central bank was caught with DKr369m ($57.2m) outstanding in loans when one of the banks, C&G Bank, was closed. The National Bank had provided cash for C&G Bank over a period of months while an unsuccessful attempt at reconstruction was made.

Mr Erik Hoffmeyer, the central bank governor, told the Bankers' Association annual meeting last month that, in the light of this experience, the National Bank would end the right of banks and savings banks to raise cash without collateral unless the Bank Inspectorate was placed under the authority of the central bank – a process which the Government does not seem to be contemplating in the near future.

The turbulence in Danish banking has now spread from Copenhagen to Jutland, where several banks have run into serious problems. Earlier this month one, Aarhus Disconto Bank, a small bank serving the city of Aarhus, had to be taken over by Aktivbanken, an East Jutland regional bank, to prevent further embarrassment.

One of the reasons for the Aarhus bank's difficulties was a DKr47m loan to a Jutland trading company, Jyde-Kompagniet, whose three owner-directors, the brothers Jesper, Morten and Soeren Petersen, are currently being held on remand facing "breach of trust" charges for DKr13m.

Bankruptcy claims have been filed against the company, which has total debts of around DKr370m.

Deeply embarrassed

Midtbank, a regional bank with its base in Herning, the centre of the Danish clothing and textile business, has also been deeply embarrassed by the company's troubles. Midtbank has loans worth about DKr170m to Jyde-Kompagniet. It has told the Stock Exchange that it expects to have to make loss provisions in its 1987 accounts for about DKr190m and will report a DKr85m net loss.

Rather than solve its problems through a merger with the biggest of the Jutland banks, Jyske Bank, Midtbank is to make a new share issue, underwritten by a group of five other regional banks.

Several of the banks with loans outstanding to Jyde-Kompagniet allege that they made the loans after receiving assurances from Midtbank that the company was sound. At least one of these banks is now threatening to sue Midtbank.

Aarhus Disconto's and Midtbank's financial difficulties have brought to a head the simmering problem of structural changes in Danish banking. The country, with a population of 5.1m, is served by about 80 commercial banks and 150 savings banks. There are half a dozen big banks with national networks, about 15 or 20 regional banks, typically with balance sheet totals of around DKr10bn–15bn, and a small army of town banks.

It is more particularly the regional banks whose justification is being called into question.

The Jutland regional banks, which include Aktivbanken, Midtbank, Sydbanken, Egnsbank Nord and Varde Bank, are battling to retain their independence. Yet in the longer term they seem to face a choice between joining forces, probably with Jyske Bank, to form a large Jutland bank with equity capital and balance sheet totals rivalling the largest Copenhagen banks, or being picked off one-by-one by the Copenhagen banks.

Copenhagen Handelsbank, for example, has over 25 per cent of the shares in Midtbank and 31 per cent in Aktivbank, while Danske Bank, the largest Danish bank, has a substantial holding in the Aarhus-based Provinsbank (which, however, is one of the half-dozen largest banks in Denmark with an extensive branch network covering a large part of the country).

The shakeout in Danish banking has caused four banks (three in Copenhagen), as well as a couple of savings banks, to change hands since the beginning of December.

Bigger provisions

Behind these developments are two difficult years for the banks. In 1986, they were all hit badly by the effect of a decline in the value of their securities portfolios, the result of falling bond prices. In 1987, results so far suggest that operating earnings were satisfactory but falling output in manufacturing, agriculture and fisheries, as well as a decline in private consumption, has faced the banks with the need to make considerable increases in provisions.

In addition, the Bank Inspectorate, after its experiences last year with C&G Bank, is expecting banks which run into trouble to find a swift solution in the form of a takeover by another bank; it is no longer prepared to nurse banks through a long, slow – and possibly fruitless – process of reconstruction.

Hartford Insurance fires 400

BY NICK BUNKER

HARTFORD Insurance Group, one of the top 10 US property/casualty insurers, has made about 400 staff redundant because harsh competition in the industry is cutting its premium income.

Travelers Group, another big insurer based in Hartford, Connecticut, confirmed separately that it has launched a cost-benefit review partly prompted by similar pressures.

The aim was not to produce an arbitrary redundancy target, but increased efficiency "could mean eliminating positions or jobs," said Mr Alan Fletcher, a Travelers Group executive.

The news from the two companies represents one of the first indications that price cutting in the $191bn US property/casualty industry is starting to cause serious concern among big domestic insurance companies.

It comes at a time when there is clear evidence that the three-year upturn in premium rates for commercial liability insurance risks that began in mid-1984 has ended and given way to price reductions.

One fear among some securities analysts on both sides of the Atlantic is that the industry might be starting another bout of price competition in commercial lines similar to the one that led to huge losses for the industry in the mid-1980s.

The Hartford laid off 236 employees in its property/casualty operational home office in Connecticut last week. It is also laying off a further 103 home office life insurance personnel, and 61 life employees in the rest of the US.

Mr Joe Fazzino, a Hartford executive, said the group had first imposed a hiring freeze in July 1987. Last week's cuts were "a way of being prepared for the future. The commercial lines market is getting a lot softer a lot faster than anybody expected."

At Travelers, Mr Fletcher said there was "a great deal of competition right now," both in property/casualty and more broadly in financial services. Travelers hoped "to mitigate the impact of personnel reductions."

There are few public indications yet of other big property/casualty companies making lay-offs, but the signs are that they are increasingly conscious of the need to control staff numbers.

Emhart offers to negotiate with Stanadyne

By Our Financial Staff

EMHART, the US consumer and industrial product group, said in a letter to Stanadyne, the Connecticut plumbing products concern, that it is "open and willing to negotiate all aspects of" its $598m bid, "including price."

Earlier this month, Emhart launched a hostile $40 a share bid for Stanadyne. Stanadyne rejected the offer and indicated it may sell some businesses or find an alternative buyer.

Emhart said it would like to meet with Stanadyne executives. It also said it would like to have access to confidential information concerning Stanadyne that it said was being given to other potential bidders.

Japan to simplify debt offerings

THE JAPANESE Ministry of Finance will introduce procedures in October to revitalise Japan's capital market by simplifying debt offerings, Reuter reports from Tokyo.

The revised procedures would include a shelf registration and reference system, along the lines practised for several years in the US. The present cumbersome procedures have made it less attractive to issue corporate bonds in Japan than abroad.

The shelf registration system will require companies to present simple documentation to the MoF outlining individual new debt issues, once they have registered for a series of securities offerings.

The reference system will allow firms to rely on their original disclosure documents, rather than having to present complete new documentation for each issue. Approval will normally take between seven and 15 days, rather than 30 as at present.

Eligibility standards for the proposed system are that a company must have been listed on a Japanese stock exchange for over three years, the market value of its shares must be over Y100bn, and transactions in these shares over the previous year must exceed the same amount.

Foreign companies which do not meet those requirements may apply, provided that the total market value of their shares listed on foreign stock exchanges exceeds Y500bn.

Record bond trading in last quarter

By Our Euromarkets Editor

TRADING OF Eurobonds reached a record $1,269bn during the financial market turmoil of the last quarter of 1987, with the value of non-dollar bonds traded exceeding that of dollar bonds for the first time.

The figures, compiled by the Association of International Bond Dealers, confound beliefs that secondary market turnover has been falling off dramatically and that liquidity has been dwindling. Eurobond houses have cited such a decline for dismissals of traders and sales staff.

Turnover over the whole of 1987 rose to some $4,666bn from $3,570bn in 1986, according to the figures, which are derived from Euro-clear and Cedel, the Eurobond clearing houses. Of the 1987 volume, $2,539bn was in dollar bonds, slightly below the $2,574bn of 1986.

The fourth-quarter result is particularly striking given that it included the Christmas holiday period. Many houses virtually ceased trading well before the holiday. Moreover, new issuing activity in the fourth quarter was well below previous levels.

Reflecting disillusion with the dollar, a record $635bn worth of non-dollar bonds were traded, double the amount in the same quarter of 1986 and compared with $540bn worth in the third quarter – though the most recent figures have been inflated by the dollar's fall.

Dollar bond volume also rose, from $596bn in the third quarter to $633bn, but was below the record $729bn of the 1986 fourth quarter.

The previous quarterly record for the whole market was $1,246bn, in the second quarter of 1987.

Saitama Bank convertibles

SAITAMA BANK, one of Japan's smaller commercial banks, is to issue Y60bn ($468m) of convertible bonds before the end of March, Our Financial Staff writes.

It will become the first Japanese bank to take advantage of MoF permission to use convertibles to increase equity to debt ratios in line with Japan's capital adequacy agreement with the US and UK.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	95⅛	95⅝	−0¼	+1	8.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	96¾	96⅞	0	−0⅝	5.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier. [illegible]

MIDLAND CROCKER

David Lascelles continues the story of a banking disaster

Midland storm-troopers fight to stem soaring losses

AT the beginning of 1983, Midland Bank was in the unenviable position of owning only 57 per cent of Crocker National Bank, but effectively being totally responsible for its newly acquired Californian subsidiary. And as Crocker's bad loans worsened, Midland could only be the loser. By then, Tom Wilcox, Crocker's hard-driving chairman, had just retired, but he continued to wield considerable influence through his chosen successor, John Place, because he became chairman of Crocker's executive committee, a kind of inner sanctum on the board.

Midland was getting a little anxious about the small measure of control it had over Crocker, and the lack of consultation over planning. So, in March 1983, Place brought his top management team over to London to make a presentation to Geoffrey Taylor, Midland's chief executive, and 150 of his colleagues in the theatre on top of the Poultry headquarters. It was a brilliant performance, with coloured slides and diagrams, glowing growth forecasts – and a new image for Crocker based on a lighthouse, the guiding light in rocky waters.

It dazzled most of those present with its slickness. But there were also people in that audience who were beginning to view Crocker with a more jaundiced eye. They had seen the huge growth in loans; they had noted that Crocker was lending on terms that were forbidden in Midland; they had found that their budgets were being trimmed to finance a flashy investment on the far side of the world which brought them no benefits, no new business and no enhanced standing in the market. "The US art of presentation...Bullshit baffles brains," muttered one of them. A sense of foreboding began to build up in Midland through the summer of 1983.

Michael Patriarca was the US official from the Comptroller of the Currency's office responsible for regulating Crocker. A lawyer by training, he is a burly man who does not pull his punches. Over the years he had built up a reputation as one of the toughest of the US banking regulators.

His examiners in San Francisco began their routine annual review of Crocker's accounts in the autumn of 1983 and picked their way through every loan over $2.5m. The results were devastating. Crocker's book was littered with loans to borrowers who had gone bankrupt, whose collateral had fallen with the collapsing California's real estate market, or who had simply disappeared.

And that was just the domestic loans. The examiners had not at this point begun to assess the Latin American loans of US banks. Altogether they identified a further $300m of non-performing loans; and in early December they ordered Crocker to allocate $107m to its loan loss reserve. This crushing blow wiped out Crocker's entire earnings for the year, and pushed it into a $10m loss.

> They all lived in constant fear of the news of Crocker's desperate plight leaking out

Back in England, Taylor and his senior executives were holding a weekend strategy session at Midland's management centre at Oxted in Surrey when the bad news began to trickle through from San Francisco. With each telephone call, the numbers got bigger. "The sky fell in," says Taylor.

It took the management several days to recover from the shock. But if they were going to take a bath, Taylor thought, they might as well take a deep one. A week later, he asked his man in charge of risk management, Brian Goldthorpe, to fly out to San Francisco to investigate.

Goldthorpe is another Yorkshire banker: a blunt-spoken man who makes a virtue of his obstinate streak. He belonged to those who were disenchanted with Crocker, and he attacked Crocker's loan books with some relish. He quickly came up with an analysis of the problem.

Surprisingly, Crocker's records were in good order; the bank had a system for identifying bad loans called the Criticised Assets Tracking System (CATS) which was so good that later Midland copied it in Poultry (it is hard to conceive a greater irony in the whole saga). But no one in a position of authority in Crocker seemed to be acting on the CATS reports. Having identified this "black hole" it was obvious to Goldthorpe that Midland was in for a very long work-out – as much as five years.

Midland announced the dreadful news on December 16 and said the loss would wipe £75m off its 1983 profits. It also announced its intention to take firmer control of Crocker by appointing John Harris, the head of Midland's international division, as vice-chairman based in San Francisco. Taylor did his best to salvage something from the mess by claiming that it was "a positive act" which would enable Crocker to make a fresh start, but this was little consolation to Midland's stunned staff and shareholders.

Early in January, Place came over to London to explain to the Midland board how it could have been so badly misled. The bank examiners, he said, were wreaking their revenge on Crocker for all the abuse and ill-treatment they had suffered from Tom Wilcox.

It was certainly true that Wilcox treated his regulators with utter contempt, and constantly denounced them as ignorant busybodies. "Screw 'em," was his usual comment. To UK clearing bankers bred to treat their own regulators at the Bank of England with the greatest respect, this was yet another jolting reminder that they had blundered into a wholly alien culture. But even this explanation struck the directors as far-fetched, and on January 18 they decided to bring Crocker to heel by cancelling the autonomy which had been granted to it in the acquisition agreement.

Out in San Francisco, Harris and Goldthorpe were getting down to the Herculean task of cleaning Crocker out. They found hair-raising examples of its profligacy and wishfulness.

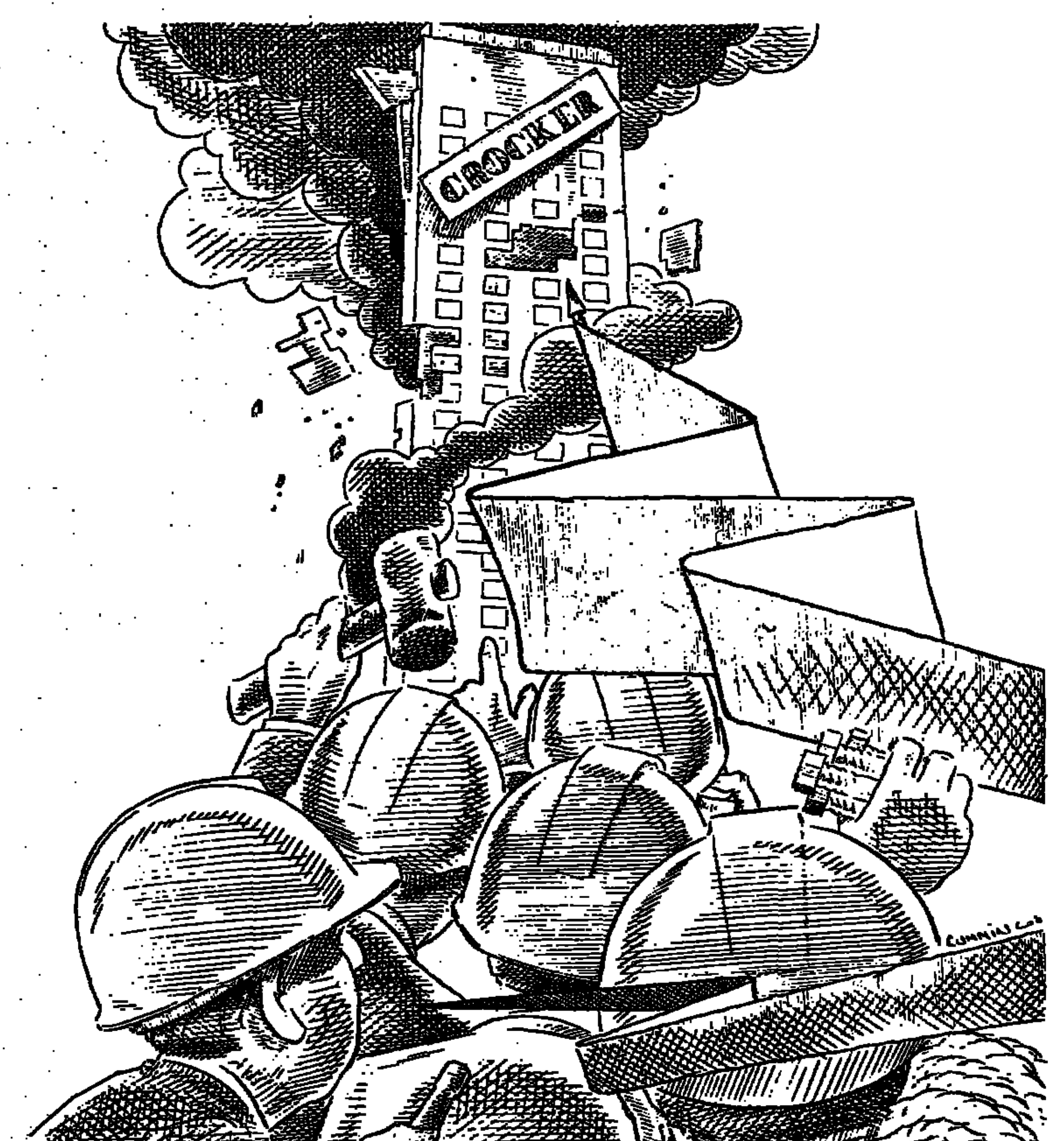
One internal memo ordered the international department to make $500m of loans within 12 weeks to meet the lending targets – a certain recipe for trouble. Goldthorpe also got a taste of Californian culture when he wrote off a $20m loan to a failed businessman, only to find him featured in Fortune magazine as "a great survivor".

But by the end of March, Harris felt he had a sufficient grasp of the problem to state publicly that while it would be tempting fate to say that Crocker's troubles were over, he expected it to be back in the black in 1985. In fact, his task had barely begun.

As Crocker's plight worsened in 1984, Taylor determined to find a new man who could bring his prodigal California subsidiary under control. He found him in Frank Cahouet, the vice-chairman of Security Pacific, one of California's most successful banks.

Cahouet, with his high domed forehead and big glasses, had a reputation as one of banking's great thinkers and doers, and the appointment was something of a coup. He was also extremely ambitious. He demanded a high degree of managerial freedom, which Midland was prepared to grant because he was "our man", and he was paid a US-style salary which was three times as much as Taylor's.

When Cahouet took over, the Comptroller of the Currency's examiners ordered all Crocker directors to sign a thick document pledging them to comply with the banking regulations and get the bank back to health.



Using the prerogative of a new broom, Cahouet immediately ordered another round of bad debt provisions greater than any so far, $148m, which pushed Crocker into a first quarter loss of $121m.

But painful though this was, it did lend some credibility to Midland's accompanying statement that Crocker was finally on the mend. The news also had an upbeat effect on Midland staff. The storm-troopers were in and Crocker would soon be licked.

But Cahouet was not an easy man to deal with. He refused to report to Harris, who was now officially Midland's senior man in San Francisco; he insisted on going straight through to Taylor instead.

This marked the beginning of a painful period for Harris, who had volunteered for the job but now found himself with an unclear role, thousands of miles from home (he had left his family behind). To add insult to injury, he had not learnt of Cahouet's appointment till the last minute. Furthermore, he was treated by the US bank regulators as something of a Midland hostage, because he was at the front line of ensuring that Crocker was complying with their demands.

Harris spent two lonely fire-fighting years in San Francisco under heavy emotional stress, and did not get a hoped-for top divisional job when he finally returned to Poultry. He was squeezed out by the new regime in 1987, and now declines to talk about his time with Crocker. "John drew the short straw," says a sympathetic colleague.

The summer of 1984 was, outwardly, a period of calm and reconstruction. Tom Wilcox finally quit Crocker altogether (the Comptroller had queried his continued membership of Crocker committees) and he was not re-elected to the Midland board.

But Goldthorpe, who had 20 storm-troopers in San Francisco, knew that the worst was far from over. Land values were still falling in California, eating away at Crocker's loan collateral, and the dark cloud of Latin America was casting a lengthening shadow over the $2.8bn of loans which Crocker had made on that Continent.

The stock market knew it too. Crocker's shares, for which Midland had paid an average price of $67, hit an all-time low of $17, giving Midland a paper loss of over $600m. In London, Michael Julien, Midland's finance director, had to deny rumours that Midland might be forced to cut its dividend – an unheard of step for a clearing bank.

Taylor and his colleagues were doing their best to hammer together a new strategy to deal with Crocker. They intended to slim the Midland group down and realise extra cash to finance new growth. But fortune did not smile on them. In his 1984 Budget, Nigel Lawson, the Chancellor, landed Midland with an unexpected tax bill of £230m. Later, European American Bank, the New York consortium bank of which Midland was joint owner, also got into trouble and reported a loss of $137m in July. Nothing, it seemed, could go right.

Within the Midland ranks, morale began to droop again. Away from Poultry, out in the branches, staff were dazed by the constant stream of bad news they read in the newspapers which seemed to bear little relation to the Midland they knew with its bright high street branches and friendly griffins.

One elderly manager came up to Taylor and said he could never understand why Midland had bought Crocker because "we're already the biggest bank in the world". Taylor had to tell him gently that his information was many decades out of date.

In Poultry itself, Crocker was also taking a heavy toll. Top management were "like scared kittens", according to one of them, dreading whatever might hit them next but exhausted by the nervous tension and sense of helplessness. Midland had to draw on its deepest wells of strength to stay together.

Strains began to develop between Taylor and Sir Donald Barron, Midland's chairman. Taylor resented Barron's insistence that the board be more closely involved in decisions. The rift reinforced Barron's view that the role of chairman and chief executive at Midland should be combined - as it was under Sir Kit McMahon, his successor.

Although Malcolm Wilcox, the Midland executive who had initiated the Crocker acquisition, had now left the bank, he was also gnawed by anxiety, and when he died in 1986, many of his former colleagues believed Crocker had contributed to his declining health.

The fear lurking at the back of everyone's mind was that Crocker could get into a downward spiral. Its losses would damage its position in the market, forcing it to pay more for its money, and that would only make matters worse. Positive action was clearly needed – a show of determination that would restore confidence in Crocker.

Midland's board had two options: either to sell Crocker, or to buy out the minority shareholders and assume total control in defiance of the original Wilcox agreement. Sale, at that time, was out of the question because no one would touch Crocker with a barge-pole. So it had to be the buy-out; Crocker's one virtue at that moment was that its shares were cheap. On July 13, Midland offered to buy in the 43 per cent minority for $207m, which was exactly a quarter of the price it had paid for the other 57 per cent.

But if Midland expected the offer to be greeted with joy by the shell-shocked minority shareholders, it was in for a nasty surprise. The Crocker board reacted with deep suspicion, and accused Midland of trying to pick the shares up cheaply.

The non-executive directors formed a negotiating committee under Jerome Hull, the former chairman of the Pacific Telephone Company, and a leading light in San Francisco's tight-knit business community. They hired several firms of lawyers and investment bankers to advise them, and dug themselves in for some hard bargaining.

Many shareholders also filed lawsuits against both Midland and Crocker, charging them with negligence, mismanagement, and a string of other corporate misdeeds.

One effect of the buy-out proposal was to place Crocker's board in an ambiguous position as regards their bank's loan problems.

The board's job was to extract from Midland the best possible buy-out terms, and certainly the message from Crocker became more upbeat. Unfortunately, it also suited Midland's weary executives to hear good news, and Goldthorpe, who was flying out to California monthly, found it increasingly difficult to impress on his colleagues just how grave the situation still was.

Midland and Crocker had set up a committee of top executives and four task forces to try and forge a joint strategy. But even this initiative was unable to bring the two banks together. It skirted the whole question of Crocker's bad debts, and quickly got bogged down in an argument between Midland and Cahouet over Crocker's future role.

Cahouet, the ambitious expansionist, saw his bank making a glorious resurrection to match the likes of Chase Manhattan and Citicorp with an international presence and a widely diversified business.

Poultry, on the other hand, wanted to confine Crocker to a regional role on the US west coast. Some people in Midland began to doubt whether Cahouet was the right man for the job; his grandiose plans were totally at odds with the urgency of the situation.

But at the end of 1984, all dealings between Midland and Crocker were once again plunged into chaos by the eruption of loan problems on a scale that dwarfed all that had gone before.

In November, Mike Patriarca and his team from the Comptroller returned for their annual inspection. But this time, the regulatory climate had changed sharply for the worse.

Earlier in 1984, the near collapse of Continental Illinois, Chicago's biggest bank, had been a blistering event for the Comptroller, so the examiners were working with added zeal. Latin America was deteriorating fast, and there was still no end in sight to Crocker's losses in California.

This time, Patriarca wanted another massive $326m in bad loan provisions, more than twice as much as Crocker had made when everyone thought it had hit rock bottom. In short, Crocker was doomed, and if it had been an independent bank Patriarca would have been forced to shut it down. But it was not, and Patriarca had to decide whether Midland was strong and determined enough to prop it up.

In early December he flew to London to see the Bank of England and the Midland management. Cahouet, who was angered by Patriarca's demands, leapt on a plane too but was diverted by fog to Frankfurt and missed the meeting altogether. Patriarca told Midland that it was his job to avert another Continental Illinois, and demanded that they do everything possible to keep Crocker alive. He gave them till the end of the year – barely four weeks – to come up with a plan.

Talk of bank failure was only too vivid for the people in London who had just lived through the near-collapse of Johnson Matthey Bankers and the furious political row which followed. "We told Patriarca that our objectives were exactly the same as his," says Taylor. "We wanted Crocker to be a sound bank too. We were constantly trying to get this message across to the Bank of England and the Comptroller."

The Christmas which followed was the most miserable the Midland management had ever spent. In a frantic string of meetings and transatlantic conference calls - some at the bank-owned flat which Taylor occupied off Cannon Street in the City – Barron, Taylor, Julien and half a dozen others desperately hammered together a financial rescue for Crocker in time to meet Patriarca's deadline. One weekend Julien made 35 transatlantic phone calls, many of them at highly unsociable hours because of the eight hour time difference with California.

They all lived in constant fear of the news of Crocker's desperate plight leaking out, and triggering a flight of deposits which would not only bring down Crocker, but seriously damage Midland too.

By coincidence, the Investors Chronicle issue that Christmas contained a spoof account of the Governor of the Bank of England having his festive dinner ruined by a flunky announcing another bank collapse. Julien, stunned, rushed to show it to Taylor. "They know!", he cried.

Over in Midland's treasury division, Ernst Brutsche, the executive in charge of funding the bank, mounted a stealthy exercise to gather in a huge store of cash for the Midland group so that it could stay afloat if disaster struck.

In one of the most remarkable funding operations that any bank has ever admitted to, Brutsche transformed Midland's market position from borrowings of £2bn to a cash holding of £2bn in the space of 30 days. Amazingly, this £4bn turnaround went undetected in London's money markets. "We were careful not to buy money except on normal terms," he says.

Taylor also had a quiet word with his colleagues at the head of the other clearing banks to warn them that there might be trouble.

In the US, Cahouet made similar secret preparations with the large commercial banks for a safety net. Midland's plan, prepared on Cahouet's advice, was to inject another $250m of capital into Crocker to plug up its reserves, and arrange a standby of a further $125m as a precaution against a run on the bank. It also promised Patriarca to give Crocker whatever funds it needed to meet US capital requirements.

But before all this could be stitched up, Midland had to be certain that it would succeed in buying out the Crocker minority, because there was no point in taking on this huge responsibility for only 57 per cent of the equity.

Midland, which was being advised by Goldman Sachs of Wall Street, had already increased its buy-out offer to placate the Hull committee, but it now cut the offer back again because of the latest losses. The Hull committee, believing that Midland would stand by Crocker whatever happened, held out to the bitter end.

Julien, who was negotiating with Hull and his advisers over the phone from London, grew furious and threatened to announce to the world that Crocker had turned down the offer of $260m from Midland. "We'll be arguing over a corpse," he yelled. The tension had become almost unbearable.

On December 29, Cahouet called a meeting of his executive committee in San Francisco to confirm Crocker's unyielding line. Among those present was Thomas Jefferson Cunningham III, a rumbustious and outspoken former associate of Henry Kissinger who became Midland's special adviser in New York and a Crocker director.

Cunningham's anger with Cahouet and his board had been mounting for months, and he knew the time had come for a showdown. He claimed the floor, and launched a great tirade against Cahouet, Hull, the board, and on the whole attitude of Crocker towards Midland.

Crocker was sick, he thundered. The Comptroller was right to order the provisions. Midland was not going to write blank cheques. It was absurd for Cahouet to think that Crocker could ever become a global bank. If they did not come to their senses, Crocker was finished. Later that day, the board agreed to lop $60m off the buy-out price. With only hours to go, the deal was done.

> Crocker drew up a quasi-military plan to squash the slightest sign of trouble

But though Midland could now buy out the minority and rescue Crocker, the task was not yet complete. Midland had yet to convince the financial markets that Crocker – and for that matter the whole Midland group – was safe.

Barron had been in constant touch with Robin Leigh-Pemberton, the Governor of the Bank of England, and other Midland executives were dealing with the Bank's supervision department headed by Brian Quinn. The Bank's assistant director in charge of supervision, Peter Cooke, had also been out to San Francisco to look at Crocker.

The Bank of England was, not surprisingly, in a state of anxiety about Midland. The JMB fiasco had badly shaken its confidence, but the prospect of one of Britain's Big Four clearing banks in major difficulty was of a wholly different order.

There was little that the Bank could do, except keep itself informed on the situation, encourage the Midland team to work at the solutions, and be ready to act quickly should the financial markets start to panic.

Some Midland executives were angry that the Bank did not try to persuade Patriarca to grant Midland more time to work its way out of its difficulties. Poultry was, after all, jeopardising a British clearing bank to save Crocker, but other troubled US banks, such as Bank of America, seemed to get much more generous deadlines to sort themselves out.

However, the Bank believed that Patriarca was doing the right thing, even if his style was a bit blunt. He had kept them fully informed, and they trusted him.

The announcement of the rescue package was scheduled for January 2. The previous day Crocker drew up a quasi-military plan to squash the slightest sign of trouble. Extra staff were put on the tills to ensure that no queues built up which might make people think there was a run on the bank. All branches were supplied with ample quantities of cash to meet withdrawals. And arrangements were made to monitor all the media, electronic and printed, for any negative comment, so that it could be instantly rebutted. In London, Midland braced itself for another harrowing day.

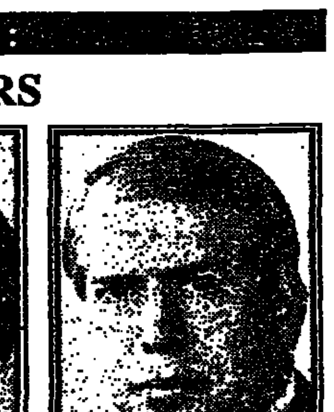
Part one of this feature appeared on Monday. The conclusion will be published on Friday.

MIDLAND/CROCKER: THE TROUBLE-SHOOTERS

Frank Cahouet: the senior California banker hired by Midland to take charge of Crocker. He helped clean out the loan book and organise the rescue, but he clashed with Midland over Crocker's future role. He wanted it to re-emerge as a major US bank, but Midland was determined to confine it to California

Brian Goldthorpe: made a virtue of his stubborn streak as Midland's risk management man. He led Midland's "storm troopers" into Crocker and spent over a year trying to get its loan book under control. Warned Midland that they were in for a five year "work out" but his tough line earned him the reputation of a gloom merchant in London

Michael Julien: Midland group finance director. Had the job of holding Midland's sorely strained finances together, and managed to prevent it becoming the first clearer ever to report a loss. Played a key role in the negotiations to buy out the Crocker minority, but only reluctantly supported the decision to sell the bank to Wells Fargo.



Thomas Jefferson Cunningham III: US banker and former associate of Henry Kissinger who became Midland's US adviser and representative on the Crocker board. His fierce attack on the Crocker directors broke the deadlock in the buy-out negotiations. Later initiated the secret sale negotiations with Wells Fargo.

VODAFONE IS STAR PERFORMER WITH GROWTH EXPECTED TO ACCELERATE

Racal shows 73% profits boost

BY TERRY DODSWORTH

Racal Electronics is forecasting accelerating growth in its car telephone division after an exceptionally strong first half in which the cellular phone activities helped the group to a 73 per cent increase in pre-tax profits to £43.4m.

Vodafone, Racal's mobile telephone subsidiary, was the star performer in the six months to October, emerging as the company's leading activity in terms of pre-tax profits.

At an operating level, before interest payments and tax, the telecommunications division generated profits of £17.2m against just £97,000 in the same period of 1986, with sales rising to £62.2m from £31.1m. Vodafone comprises virtually all of the telecommunications interests.

Racal as a whole made pre-tax profits of £43.4m, compared to £25.1m the previous year. Turnover rose by 6.5 per cent from £639.6m to £680.8m. Operating profits jumped to £55.2m (£36.6m) and attributable profits to £29.7m (£12.5m). Earnings per share amounted to 4.50p, compared to 2.90p, and the company announced a 35 per cent increase in its interim dividend to 1.085p per share.

Racal said yesterday that the telecommunication division's operating profits for the full year would be around £45m, an increase of £15m over its forecast last June.

The division's performance, the company added, continued to be outstanding. Since October, Vodafone has increased the rate of subscriber connections to its system to 1,600 a week from 1,400, net of defections.

Growth does not appear to have been affected by the October setback in the stock market, and a growing number of companies are placing block orders for their sales fleet. With a total of 140,000 subscribers, Vodafone claims to have a substantial lead over Cellnet, the British Telecom car phone subsidiary which is its only competitor in the business.

Next year, the company added, operating profits in the division should be over £75m, and it is planning to step up investment to £50m a year from £40m. Total expenditure on building up the car telephone business so far amounts to £125m.

Operating profits in the non-telecommunications interests were virtually static for the six months at £37.4m. Although both the radio communications and marine and energy divisions swung back from losses into profits, the data communications and the defence, radar and avionics activities suffered setbacks.

Data communications profits fell to £11.2m from £15.7m, mainly because of start-up costs in Holland and Belgium and the currency translation effects of the weaker dollar. Defence radar and avionics profits dropped to £6.9m from £12.7m, suffering from comparison with an unusually strong quarter in the previous year. Radio communications benefited from factory reorganisations, and achieved a small profit of 1.2m, while marine and energy made £660,000. The security activites raised profits to £12.7m from £12.1m.

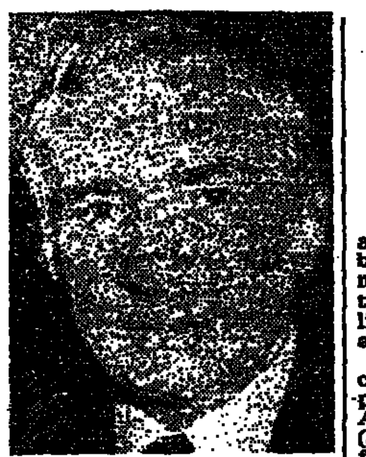
The pre-tax figures were struck after a net exceptional credit of £680,000, and taking account, among other items, of redundancy costs of £3.9m, and a credit from a pension fund surplus of £6.5m.

● Racal has reached agreement with Setemer, the parent company for Ericsson's Italian operations, to acquire a 67.5 per cent shareholding in Applicazioni Radio Elettroniche (ARE), **writes David Lane in Milan.**

Details regarding the value of the deal were not given by either party. The operation gives Racal control of an Italian leader in data communications. ARE is the principal supplier of modems to SIP, Italy's state telephone corporation. The company also manufactures radio bridges and paging systems.

ARE's turnover amounted to about L50bn (£22.9m) last year, compared to L33bn in 1986 when it made net profits of L1bn. At the end of June the company's orderbook stood at L33bn, against L19bn at the end of the first half of 1986.

ARE has two plants in northern Italy, at Castellanza and Busto Arsizio, and a third, at Carsoli, near Rome. The company employs 290 people. No changes are foreseen in the management and the group of founding shareholders will maintain its 32.5 per cent stake. The Italian company has had long-standing technical and commercial agreements with Racal in the Italian market. By becoming part of the British group, ARE expects to develop its international activities and raise its presence in the field of data transmission systems. Setemer's disposal of its controlling stake in ARE reflects Ericsson's decision to concentrate on networks for voice, data and image communications and to move away from peripheral equipment.


Sir Ernest Harrison: Racal chairman

Manpower contributes £9m to £29m result at Blue Arrow

BY PHILIP COGGAN

Blue Arrow, the employment agency, yesterday bounced back from Monday's announcement of Mr Christopher's Castleman's resignation with preliminary pre-tax profits well ahead of forecasts at £29m.

The figures include a £9m contribution from the US company, Manpower, which Blue Arrow acquired for $1.3bn (£734m) and which is included for just seven weeks of the financial year. The early indications are that Manpower's profits this year are running more than 90 per cent higher than last year's level.

Mr Castleman, the former chief executive of Hill Samuel, was appointed to act as chief executive and managing director, following the Manpower acquisition. But the decision of Manpower's management, led by Mr Mitchell Fromstein, to stay on and Mr Tony Berry's determination to remain in charge as executive chairman, caused Mr Castleman's role to be more restricted than he would have liked. Blue Arrow will not be seeking a replacement as chief executive.

Mr Norman Tebbitt, former chairman of the Conservative Party, was appointed a non-executive director last autumn.

Blue Arrow's shares have fallen by 44 per cent in nominal terms and by 26 per cent against the FT-Actuaries All Share Index since the stock market crash. Mr Berry said yesterday that he felt the shares were marked down because the company's business, post-Manpower, was seen as dollar-related. But he pointed out that this year only about 36 per cent of revenues would come from the US.

Mr Berry estimated that organic growth in the core Blue Arrow group had been running at 50 per cent, compared with growth in the worldwide employment services market of about 20 per cent per year.

Blue Arrow had bought several US employment businesses, before the Manpower acquisition, and Mr Berry said these US companies had not performed as well as they might have. This was due partly to the management time devoted to the Manpower bid, and he expected the US operations to come through strongly this year.

Mr Berry also said that now the group had become the world's largest employment agency, it was likely to review the future of other divisions. The non-employment divisions contributed about £1.25m to pre-tax profits last year.

Manpower was acquired via a £837m five-for-two rights issue – the UK's biggest ever – but the company is still recommending a more than doubled final dividend of 0.6p on the larger capital. That represents dividend cover of 8.5 times, but the company expects to bring cover down to four or five times over the next few years.

Pre-tax profits for 1986/were over three times the previous year's £8.72m, on turnover of £406.7m (£97.1m). The slight fall in net margins was caused by the addition of Manpower, which operates on lower margins than the rest of the group. Adjusted earnings per share were 57 per cent higher at 6.6p (4.2p)

● comment

The stock market had an intense affair with Blue Arrow until the company asked it to accept £837m of stock just before the crash. Since then, the market has acted like a jilted suitor and judging by the reaction to these excellent results - a rise of just 4p to 97p - Cupid will have his work cut out to restore the happy relationship. The case for the shares is persuasive: Manpower is surging ahead this year and should gradually increase its margins, the group's percentage of dollar earnings is much lower than commonly perceived and the employment services market is expanding at 20 per cent per annum. On estimates of £100m profits for this year, including over £70m from Manpower, the shares are on a prospective p/e of 11, nothing like the stratospheric rating of old. Nevertheless, the upside must be limited. Those investors who bought the shares at 166p are unlikely to be eager for more and may well want to sell on any strength.


Norman Tebbitt Blue Arrow non-executive director

Flogas result down 19% to I£1.1m

As warned at its AGM last September pre-tax profits fell at **Flogas**, Irish-registered importer and distributor of liquefied petroleum gas, in the six months to end-November 1987. They came in 19 per cent lower at I£1.1m (£1m sterling) from I£1.36m. Turnover, however, increased 23 per cent from £7.61m to £9.37m, mainly achieved in the UK market.

The company said the profits fall reflected lower margins compared with the same period last time.

Earnings per share in the period under review fell to 5.35p (6.71p). The interim dividend is being raised to 2.19p (1.91p).

Flogas is aiming to increase profits for the whole year, but said the result would depend partly on the average temperature over the rest of the winter. The marine terminal in Cork became fully operational this month and this would strengthen the company's position in southern Ireland.

Midland HK arm for Elders

BY DAVID LASCELLES, BANKING EDITOR

Midland Bank is to sell its Hong Kong-based securities subsidiary Greenwell Montagu (Far East) to Elders Finance Group as part of its plan to withdraw from the institutional equity business.

The sale price is not being disclosed but is understood to be close to the unit's net asset value. Midland said the deal would save on closure costs and preserve the jobs of the 40 employees.

Elders, one of Australia's largest merchant banks, said it intends to develop the company as a substantial research-driven stockbroker. The name of Greenwell Montagu (Far East) will be temporarily kept for legal purposes. Elders will retain most of the staff, and the remainder will be absorbed by Midland.

Last week, Midland announced its intention to close or sell its London and Hong Kong equity business in the light of its new relationship with the Hongkong and Shanghai Bank. The London business has been offered for sale, but though there have been several inquiries there have, as yet, been no firm offers. Midland has said it will shut the business down by the end of the month if it cannot be sold.

Caparo cuts jobs at Fidelity offshoot

BY ANDREW HILL

Caparo Industries, the engineering and consumer electronics group headed by Mr Swraj Paul, yesterday announced a reduction in the manufacturing activities of Fidelity, its loss-making electronics subsidiary.

The workforce of 450 at the London factory will be reduced by 100 at first with further redundancies as production is reduced during 1988. The company is still considering whether to close down the factory altogether.

Provision for restructuring costs and related losses will appear as an extraordinary item in Caparo's figures to December.

The group believes that Fidelity, which makes low cost televisions, can capitalise on its brand name and UK market presence by increasing the supply of products from overseas as UK manufacturing is reduced. The elimination of manufacturing losses should ensure that there is no adverse effect on Caparo's profits for 1988.

However, the group would still consider selling Fidelity if it received an offer at the right price.

Caparo bought Fidelity for £14m in 1984 and has had problems with it ever since. For the half-year to June the group's electronics division lost £1.16m.

Fidelity's current headaches stem from the decline of the dollar and the consequent difficulty of using a UK manufacturing base to compete with Far East imports.

Westminster takeover plan called off

By Philip Coggan

The reverse takeover of **Westminster and Country Properties** by **Residential Holdings**, a private property company has been called off – the latest in a series of such deals to be called off since the crash.

It had been planned for Westminster to acquire Residential for 5m shares, giving the Residential vendors a majority stake. But it was announced yesterday that the talks had been terminated and Mr Michael Rickards, Westminster's chief executive, refused to elaborate beyond saying that there were "a number of reasons" for the abandonment of the deal.

The company's interim results, published yesterday, show a return to pre-tax profits of £157,000 in the six months to October 31, compared with a loss of £392,000 in the same period last year. This reflects a substantially increased level of activity and the completion of a number of profitable developments, the company said.

Westminster's shares returned from suspension yesterday and closed 5p down at 145p.

Reed acquires book publisher

Reed International, through its Butterworth subsidiary, has acquired the book publishing activity of Architectural Press, a subsidiary of United Trade Press (Holdings).

Worldwide sales of the Architectural Press book list were £1m in 1987.

Reed International said that the acquisition's specialisations would fit in well with existing Butterworth titles.

PLEASURAMA is buying 95 per cent of the issued share capital of Belgium-based Rest NV for £1.27m – $720,000 in cash and the balance by the issue of 380,502 new Pleasurama ordinary shares.

Howden rights follows purchase of Davidson

BY CLAY HARRIS

Howden Group, the Glasgow-based engineering company, is to buy Davidson, one of the world's leading makers of custom-built fans, from the South African Abercom group for £9.5m in cash. It also launched a one-for-three rights issue to raise £14.5m.

Davidson's Belfast operation accounted for nearly one-third of the company's £57.4m turnover in the year to June 30 1987. Howden said yesterday it intended to reduce costs by dividing manufacturing on a product basis between Belfast and Glasgow.

The acquisition would give Howden a stronger platform to compete for UK power-generation orders and bring it manufacturing facilities in the US and France.

Howden estimated yesterday that Davidson had adjusted net assets of £17m, compared with the £9.5m purchase price.

This, plus reduction in borrowing as a result of the rights issue, would strengthen the group's balance sheet. It would have net tangible assets of £60m.

Earlier this month, Howden reported interim pre-tax profits of £3.6m, against a comparable £1.51m. At the attributable level, Howden lost £1.28m in 1986-87, largely as a result of problems at its electricity-generating wind park in California.

Davidson also had problems in the US last year, where a subsidiary's failure to cut overheads to reflect lower turnover resulted in a fall in group pre-tax profit from £2.84m to £1.67m. American Davidson is continuing to lose money, Howden said, "but measures are in hand to remedy the position."

Howden shares yesterday closed 3p lower at 93p, compared with the rights price of 74p.

PWS in £3m US acquisition

BY NICK BUNKER

NORTH AMERICAN dentists have provided **PWS Holdings**, the London insurance broker, with a chance to fill a cavity in its US broking operations.

PWS plans to pay initially about £3m to take over San Francisco-based Glenn, Nyhan & Associates, a 100-employee group which arranges liability insurance programmes for US hospitals, doctors and nurses.

GNA's latest venture is an involvement with National Dental Mutual Insurance Company, one of a number of so-called "risk retention groups" set up recently by American health care professions because their poor claims experience leaves traditional insurance companies unwilling to offer them cover.

GNA acts as a manager and consultant for National Dental. But GNA also uses the London insurance market, including Lloyd's, as a source of reinsurance for this and similar liability insurance programmes.

Its pre-tax profits grew from $445,000 (£248,000) in 1985 to $536,000 in 1986. But the group expects to announce a $2m pre-tax loss for 1987 on turnover of $8m, after writing off the starting-up costs of National Dental and other smaller ventures.

The British company will meet the initial £3m purchase price with $500,000 (£280,000) in cash and an issue of 1.385m shares. Up to a further 2.844m shares may be issued to GNA's executives if they achieve profit targets.

News of the deal was welcomed with a 6p rise in PWS's share price, which closed at 203p.

It comes at a time when PWS is under pressure from a weakening dollar, which is cutting the group's US earnings, coupled with falling insurance premium rates which hit its commission income.

PWS said GNA's purchase would be of "major strategic importance" because health care insurance and risk retention groups were a growing field. It would "fit well" with PWS's existing US liability insurance business.

Tibbett & Britten in Woolworth tie-up

Tibbett & Britten Group, the Tottenham-based transport and distribution services company, has contracted to manage Woolworth distribution centres at Radlett and Warrington from March 1.

T&B will take over existing operating assets, excluding property, and will provide stockholding, break bulk and despatch services as well as manage delivery operations to Woolworths' stores.

In a separate deal, T&B has agreed the purchase of the outstanding 50 per cent of International Garment Services from joint venture partner Coats Viyella. T&B said that both purchases were not material in the context of its assets.

OVERSEAS INVESTMENT TRUST is proposing the introduction of a savings and dividend reinvestment scheme, a capitalisation issue and a scrip issue. The capitalisation issue of new ordinary shares will be on a one for one basis and assuming this becomes effective there will be a scrip issue of warrants under which existing shareholders receive one warrant for every ten ordinary shares. Holders of 7½ per cent convertible unsecured loan stock will also receive warrants.

UK COMPANY NEWS

Blue Circle lifts Birmid bid 25%

BY MICHAEL SMITH

Blue Circle, cement group, yesterday increased its bid for Birmid Qualcast by more than 25 per cent to £275m and raised its stake in the home products group to 23.5 per cent.

Birmid, which has been strongly contesting the cash bid, advised shareholders yesterday evening not to sell in the market. By then Blue Circle had picked up 10.3m shares to add to the 6.7m it and its associates already owned.

Birmid's shares rose 18p to 369p, against a revised offer from Blue Circle of 380p.

Last night the company, which makes lawnmowers, gas cookers and boilers, was locked in a series of discussions with its advisors, including S G Warburg, the merchant bank. It had no comment other than its advice to shareholders not to sell.

Blue Circle, which is advised by merchant bank Barings, said its offer, which will close on Saturday February 13, was final. It will not be increased or extended unless an alternative bidder emerges.

Significantly, the company reserved the right to add a partial share alternative. Since Blue Circle first launched its bid for Birmid, its shares have risen from about 330p to last night's unchanged 431p, largely as a result of an unsuccessful dawn raid on its shares just before Christmas by an unnamed predator.

Mr David Poole, Blue Circle managing director, said last night that the "generous" revised offer gave Birmid shareholders a 90p increase in value when compared with 200p before the bid was launched and a 32 per cent premium to the price before last October's stock market crash.

The company also said that the interest on the cash Birmid shareholders would receive would be more than three times the gross income which would accrue on a Birmid share. The comparable figures, both untaxed, would be 35.38p and 10.62p, it said.

Mr Poole said that putting together Birmid with Armitage Shanks, Blue Circle's bathroom furniture subsidiary, would create a major force in the £4bn home products market.

The two companies could introduce new products, improve margins and gain access to each other's specifiers and distribution channels. In distribution, Armitage had strong links with builders' merchants whereas Birmid had strengths in DIY stores.

Birmid, which earlier this year rebuffed a merger approach from Hepworth Ceramic, has always maintained that there is little industrial logic in Blue Circle taking it over.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
AGB Research ......int	3	Apr 6	2.75	-	7.5
Babygro‡ ......fin	1.61	-	-	1.61	-
Blue Arrow ......fin	0.6†	-	0.28	0.8	0.4
Brit Bloodstock ......int	2.5	-	2.5	-	8.8
Finlan ......int	2†	-	1.8	-	4
Flogas § ......int	2.19	-	1.91	-	5.31
Johnson Fry § ......fin	1.5*†	-	-	2.5	-
Murray Smaller ......int	1.3♦	-	1.2	1.85	1.65
Osprey Comm. ......int	1	Apr 25	0.5†	-	2.5†
Press Tools ......int	1†	—	1	-	3
Racal ......int	1.09†	Mar 7	0.81	-	3.3
Rush & Tomkins ......int	3.25	-	2.75	-	10.55
Shelton (M'tin)§ ......int	0.5	Feb 29	-	-	-
W&C Props ......int	1.5	-	nil	-	nil
Wood (John D)§ ......int	1.5‡	Apr 4	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ♥Third market. ‡Special dividend of 1.25p already paid♦Forecast final; interim announced November 29. ± Full listing July 1987.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Biotechnology Investments, Excalibur Jewellery, Ferranti, Fletcher King, Mays, Optical and Medical, Park Food, Property Security Investment Trust, W.H. Smith, Stasco Exhibition.

Finals- Camford Engineering, Hay and Croft, Hodgson, P.E. Kamp, Newman Tonks.

FUTURE DATES

Interims-

Bailey (C.H.)	Feb 4
Bristol Channel Ship Repairers	Feb 3
Cowan De Groot	Jan 29
Eleco	Feb 24
Howard Holdings	Feb 2
Shoraiplan	Feb 1

Finals-

Dubilier International	Jan 29

Strong markets boost Johnson Fry by 77%

BY HEATHER FARMBROUGH

STRONG FINANCIAL markets boosted profits at Johnson Fry, BES sponsor and financial advisor, which announced yesterday its first full year results since it was quoted on the USM. Pre-tax profits for the year to October 31 rose by 76.8 per cent to £1.22m (691,034).

Earnings rose by 44 per cent to 8.26p over the same period, reflecting acquisition costs over the year. Acquired companies contibuted 13 per cent of earnings growth. The final dividend is 1.5p, making a total for the year of 8.26p (5.72p).

BES sponsorship, the company's original business, accounted for 49 per cent of the group's activities. Corporate finance contributed 16.5 per cent of the total, while other financial services were responsible for 29 per cent. General insurance and leasing accounted for 5.5 per cent.

"So far, BES business has been better than last year," said Mr Charles Fry. "But our unit trust selling business has been badly affected by the stock market crash." He added that he expected this to be offset to some extent by the growth in pensions business.

Corton Beach foods buy

Corton Beach is acquiring Midlands based Norpak Foods in a cash and shares deal valued at £1.25m.

Norpak is based in Staffordshire and is a distributor of chilled and frozen foods. Sales exceeded £19m for the year

Ex-Boesky aide seeks control of Cambrian

By Nikki Tait

MR LANCE Lessman, a former associate of Mr Ivan Boesky, the convicted American insider trader, said yesterday that he would be interested in taking on management of Cambrian & General Securities and in that event, would probably be willing to increase his stake.

Cambrian was previously the UK trust vehicle for Mr Boesky, for whom Mr Lessman worked for seven years. "I used to focus on Cambrian on a daily basis," commented Mr Lessman in New York.

On Monday, Mr Lessman declared a 5.04 per cent stake in the trust. He stressed that his intentions towards Cambrian were "entirely amicable" and that his proposal for a management change was only viable "to the extent that I can win board approval."

Management of the trust has already been transferred to Essex Investment Management, a Boston company, in the wake of the Boesky revelations. Should Mr Lessman's proposal for a management change not prove acceptable, he suggested that he would "probably be inclined to ride with my existing stake."

Last night, Warburgs, Cambrian's advisers, said that Mr Lessman would have to demonstrate that he could improve on the performance, and that "class four" considerations would have to be bourne in mind.

Sale of Dee stores could raise £750m says B&D

BY NIKKI TAIT

Barker & Dobson, sweets and supermarkets group which is waging a £2bn bid battle for the substantially larger Dee Corporation, yesterday estimated that it would raise around £750m from the sale of Dee's 76 superstores.

The sale of Dee's superstores plays a critical part in the whole structure of the bid. To finance the cash element of the offer and to provide additional working capital, B&D has arranged a £1.6bn loan facility – which is to be repaid over a three year period. Money raised from the sale of Dee's superstores will provide a major part of those repayments.

The £750m estimate is a gross figure for the whole portfolio, including development sites. B&D says it has been arrived at by estimating the sale proceeds for each store, and equates to approximately £200 per square foot spread across the portfolio as a whole.

B&D goes on to compare this with the £287 per sq ft paid by Tesco for Yorkshire chain Hillards last year, and the £339 per sq ft at which Argyll acquired Safeway.

Yesterday, Mr John Fletcher, B&D's chairman, said that the 76-strong portfolio breaks down into some 20 highly desirable stores, around 30 with average appeal, and a further 20-odd which are less attractive. This final category, he suggested, could well be sold to non-food retailers - and might be expected to raise £70m-£80m. He reiterated B&D's belief that the disposals would not involve monopolies queries. "Our research shows that in each of the ten UK TV regions there are at least three, and in some cases as many as five, major retailers which could acquire the stores in that region without their resulting market share reaching a level of concentration which might be of concern to the OFT."

B&D declines to say what it might receive after paying capital gains tax – on the grounds that such a calculation would have to be based on assumptions at this stage. However, the gross figure of £750m is very much at the upper end of City expectations – £600m to £700m has been the usual range – and yesterday some analysts suggest that comparisons with the likes of Tesco/Hillards may be unfair in that bids for an entire group offer certain immediate cost-savings.

Dee also described the £750m as "an ambitious target". It continues to argue that the structure of the deal is extremely tight. "What happens if they don't get £750m - where does that leave the company ?", questions the grocery group.

Elsewhere in its latest document, Barker & Dobson launches a pre-emptive attack on the expected profit forecast this week from Dee, suggesting that its target would need to report at least £211m before tax to show 10 per cent growth. "Dee should also tell you whether its forecast includes any release of provisions from earlier years and give details of extraordinary items," says the bidder.

UK COMPANY NEWS

Borthwicks about-turn on Australian sale

BY MICHAEL SMITH

Borthwicks, the food manufacturer and trader, yesterday surprised shareholders at its annual meeting by announcing a volte-face on a disposal decision which it made just four days previously.

Mr Lewis Robertson, chairman, said the company wanted approval to sell its Australian meat processing business to Australian Meat Holdings, a company in which Elders IXL has a 25 per cent stake.

Only last Friday Borthwicks had rebuffed AMH because of "uncertainties" surrounding the Australian company's bid. It had planned to go ahead with a previous offer from Teys Brothers, a private company based in Queensland, even though it was worth £1.6m less than AMH's £11.9m proposed deal.

Complicated legal manoeuvres meant that yesterday's meeting was subjected to several adjournments. But after shareholders indicated their support for the sale to AMH they were given the rare opportunity of witnessing the signing and completion of a deal.


Lewis Robertson – given support by shareholders


David Tucker – a most interesting meeting.

They had, no doubt, been encouraged by information from Mr Robertson that Borthwicks, which reported pre-tax losses last year of £2.1m, would receive full payment from AMH either yesterday or today. "The bank transfers are in the room," he said to loud applause.

Mr David Tucker, managing director of M & G Securities and veteran of many a dreary company gathering, told shareholders that the meeting was one of the most interesting he had attended. He congratulated the board for the way they had conducted the disposal negotiations.

Borthwicks' change of mind was prompted by a revised offer received from AMH over the weekend which removed a clause that the deal was conditional on the granting of regulatory consent in Australia.

This was made possible after a deal was struck in Australia whereby the Trade Practices Commission - equivalent to the UK's Office of Fair Trading and the Monopolies and Mergers Commission - agreed not to block the sale and AMH promised to make no changes at Borthwicks' Australian operation until a TPC inquiry was completed in February.

Teys was represented at yesterday's meeting by Mr Andrew Daws, of solicitors Denton Hall Burgin & Warren. He said afterwards that he would be reporting back immediately to Teys.

Mr Robertson said Teys had been aware of the offer and had been given an opportunity to match its value. It had elected not to do so.

The Teys deal had, in any case, been conditional on shareholders' approval and this had not been given at yesterday's extraordinary general meeting, which coincided with the annual meeting.

Teys will be paid back the £1m it handed over to Borthwicks when their agreement was conditionally struck earlier this month.

Trinity buys Welsh newspaper chain

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Trinity International Holdings, publisher of the Liverpool Daily Post and its sister evening newspaper the Liverpool Echo, yesterday bought the family-owned North Wales Independent Press (NWIP) for £5.6m in cash and loan notes payable over the next three years.

NWIP is the ultimate holding company of the North Wales Weekly News, the strongest group of paid-for weeklies and free newspapers in the area and dominant along the coast between the Dee and Anglesey. The titles have a combined circulation-cum-distribution of 120,000 copies a week.

Trinity's interest in buying dates back at least 20 years. The Liverpool Daily Post has more than half its circulation in North Wales and operates a wholesale change of local news content between the Welsh and Merseyside editions.

The North Wales group will add to a network of weeklies owned by Trinity in its daily newspapers' circulation areas. The others are based in Southport, where the Visiter is the main title, and in Wirral, where the Birkenhead News is the flagship.

Production of Trinity's existing weeklies will move from Southport to the modern web-offset plant of NWIP's subsidiary, R.E.Jones and Bros at Llandudno Junction. The daily newspapers will continue to be printed in Liverpool.

The deal does not have to be referred to the Monopolies and Mergers Commission because the combined circulations of Trinity's paid-for titles is less than 500,000 copies. Ironically, this is the result of the decline of Merseyside's economy and the county's depopulation over the last 25 years – combined sales of dailies and weeklies would once have triggered automatic referral.

The socio-economic changes encouraged the former Liverpool Daily Post and Echo group to diversify into papermaking, packaging and North American newspapers in order to survive as an independent regional newspaper publisher. This eventually led to the group restructuring, assuming the name of its papermaking business, and relocating its corporate headquarters in Chester.

The North Wales group made £359,000 pre-tax in 1986. Net assets were £597,000. The purchase price is based on estimated 1987 pre-tax profits of £650,000.

Mr Clive Jones, who has been largely responsible for building up NWIP over the last 20 years, will continue to run the business as managing director. He described the transaction yesterday as "an ideal marriage."

Britoil explores new areas in Yemen

By Steven Butler

Britoil, the UK independent oil company currently the subject of a hostile bid from BP, yesterday said it had acquired new exploration acreage in South Yemen and Columbia.

Mr David Walker, Britoil's chief executive, said the latest additions to the company's portfolio of exploration acreage were evidence of Britoil's progress in achieving a balanced international spread of oil interests.

Britoil is to take a 30 per cent interest in a 19,000 square kilometre concession in the south of South Yemen. The tract, known as Aden Abyan, was awarded to Elf Aquitaine, the French oil group, in December 1987. Britoil plans to explore the concession jointly with Elf and LASMO, which is acquiring a 20 per cent interest.

A 25 per cent interest has also been acquired in the Upper Magdalena Valley of Colombia. Seismic surveys are anticipated in 1988, to be followed by exploration drilling.

Osprey surges midway

Osprey Communications, advertising and marketing services group, boosted pre-tax profits to £207,115 for the half-year to November 30 1987.

This represents a six-fold increase over the comparative figure of £28,126, for the six months to September 30 1986.

Last year's figure was prior to the reverse takeover by the John French Group, which had a major effect on overall group performance. But the board pointed out that even restating last year's figures as if the acquisition had been part of Osprey would still show an overall improvement of 38 per cent.

Turnover more than trebled from £2.04m to £6.52m and earnings per share improved from 0.34p to 2.11p after tax of £82,390 (£16,390).

The interim dividend is doubled to 1p – last year's total was 2.5p.

Mr John French, chairman and chief executive, said that the interim results showed encouraging growth, particularly as the pattern of trading tended to favour the second half.

The continued performances of both the London and Belfast based companies were ahead of those in the comparable period last year.

Martin Shelton shows progress

Martin Shelton Group, a manufacturer of diaries and calendars and also a supplier of betting office stationery, raised its profits from £11,000 to £63,000 pre-tax for the half year to end-September,1987, its first reporting period since its flotation on the USM last July.

Turnover improved from £686,000 to £857,000. Earnings rose to 0.84p (0.16p) and shareholders are to receive the forecast interim dividend of 0.5p

The second half traditionally sees a higher level of profits.

هكذا من الأصل

Core performance keeps AGB 11% ahead

BY ANDREW HILL

AGB Research, the UK's largest market research company, yesterday announced a 10.7 per cent increase in pre-tax profits from £4.41m to £4.88m for the six months to end-October.

Profits were held back by fluctuating currency rates in the US and Far East. The group continued to fulfil its long-term aim of a 20 per cent growth rate with earnings per share up to 6.29p (5.23p), but on a tax rate reduced from nearly 40 per cent to 33.2 per cent.

Mr John Napier, chief executive, said he was satisfied with the performance of the company's core market research business in the UK, television and media and continuous consumer retail research. He was more disappointed by figures from ad-hoc market research – single surveys commissioned by clients.

Specialist publications and market services – the organisation of trade exhibitions, for example – showed good growth.

Some of AGB's core interests are still unrepresented in the 23 countries where it has subsidiaries. The group hopes to fill in these gaps with acquisitions and organic growth.

Overseas, AGB's recovery in the Australian market was not as strong as expected and the US market remained relatively depressed. The development of a consumer panel service in Italy and the restructuring of existing operations in Holland and Germany restrained European profit growth.

Mr Napier said AGB's strategic ambitions lay in Europe, where the market research business was changing fast.

He said the group was also eager to expand in the US where its Peoplemeter – a device for monitoring TV audience response – and a similar model developed by rival market researcher A.C. Nielsen are in a fierce battle for the favours of advertising agencies and TV companies.

Turnover for the half-year was up to £63.6m from £59m in the corresponding period. The board has declared an interim dividend of 3p (2.75p). AGB shares closed down 5p at 185p.

• comment

Mr John Napier is less bullish about AGB's results for the full year than he used to be. This may be due partly to Black Monday – straddled by the group's financial year – and partly to the first half figures. Although they show continued profits growth, much of the 20 per cent increase in earnings can be attributed to a substantial cut in the tax rate and the growing UK publishing and market services division. This accounted for only about a fifth of the company's turnover in 1985-86 but overshadowed the more important market research activities in the first half of 1987-88. Given that AGB has a near-monopoly on certain UK market research this is somewhat worrying and analysts have downgraded their forecasts for the full year accordingly. On the other hand, the company remains cash-rich following September's issue of preference shares which raised about £23.5m and Mr Napier speaks of "two elephants" the company has got to hit – expansion in the US and development in Europe. Shareholder confidence may rest on the success or otherwise of the Peoplemeter, although there will be no impact on results until 1989/90. For the time being pre-tax profits of about £12.5m for the full year put the shares on a prospective p/e of around 14.

Rush & Tomkins rises 70% to £2.5m

Rush & Tomkins Group, property development company, revealed a 70 per cent expansion to £2.53m in pre-tax profits for the half-year to September 30 1987.

The directors said that the policy of concentrating on being a contractor developer had been successfully implemented, with an increasingly strong forward workload.

Turnover rose 33 per cent from £73.97m to £98.69m. Tax accounted for £920,000 (£220,000), leaving earnings per share of 10.1p against 9.9p last time. The interim dividend is lifted to 3.25p (2.75p).

The directors added that the conversion of completed developments in the US into realised profits continued successfully. Further opportunities were being reviewed. Overseas contracts were nearing completion in line with expectations, they added.

• comment

Rush is never inclined to give too much away but the little information it was allowing out yesterday indicated that it is moving in the right direction. Earnings growth was nothing to shout about but this is partly because the company is making a more realistic prediction about the likely full-year tax outturn. And profits are beginning to show the benefits of moving away from property investment to concentrate on contracting/developing. In the UK the value of contracts on which it is working in joint ventures has risen from £200m at the year-end to £300m and on average it has about 40 per cent of the workload. Rush reckons to have another two years of work at least on the Gateshead Metro Centre but a scheme to build a similar complex in Birmingham has recently fallen through. If the company makes about £6m this year and the tax charge is around 36 per cent, then the shares, up 20p to 245p, are trading on a p/e of about 10. That seems enough for the moment.

Titon to go ahead with USM placing valued at £8.8m

BY HEATHER FARMBROUGH

Titon, ventilator and window fastening supplier, is going ahead with a placing on the Unlisted Securities Market, three months after its launch was postponed due to uncertain stock market conditions.

The historic p/e of 12.7 announced yesterday is some three points lower than Titon might have commanded in November.

The company is placing 2.5m shares at 80p, or 23 per cent of the shares in issue. The placing price capitalises the company at £8.8m. Of the 2.5m shares being placed, 1.3m new shares are being issued by the company to raise approximately £840,000. The rest of the shares are being sold by the directors.

Titon was founded in 1972 by John Anderson, the chairman, and his father, Peter. The business concentrated initially on supplying the UK building and construction trade with trickle ventilators. These fit into window frames to control air-flow to and from buildings. Mr Anderson estimates Titon has 4 to 5 per cent of the UK market.

Titon now manufactures its products and also sells window hinges and door locking systems. It sells through joiners and markets its products to architects and local authorities. Five per cent of its sales go to Europe and the US.

The company is seeking a quotation to enable the directors to take some money out and to finance expansion. "We believe there is a substantial market place abroad," said Mr Anderson. "We also want to build up our own product base although we would look at acquisitions in complementary areas.

In the year to September 30 1987, Titon made pre-tax profits of £944,000 (£783,000) on turnover of £6.1m (£4.7m). A notional dividend for the year of 2.35p would have been paid if the company had been quoted, offering a 4 per cent yield at the placing price.

Dealings will start on February 2. Brokers to the issue are Capel Cure Myers.

John Wood hits £1m at six months

BENEFITING from operating in a strong market John D. Wood & Co, London-based estate agent, reported interim pre-tax profits up by 42 per cent. And the directors said the prospects for the full year were good.

For the six months to the end of October 1987 pre-tax profits were £1.02m, against a proforma £715,000. Turnover was £3.31m (£2.64m).

Earnings per 10p share came out 8.4p (5.9p) and the company is paying its first interim dividend of 1.5p since coming to the USM last year. A special dividend of 1.25p was paid in October.

Directors added that the number of instructions had been higher than expected.

Stake taken in Downiebrae

European Fire Protection Holdings, a private company owned by Mr Jacques Gaston Murray, has conditionally bought a 14.9 per cent stake in Downiebrae Holdings, a "shell" engineering group, and plans to launch a tender offer for a further 15 per cent. EFP is the majority shareholder in Nu-Swift Industries, the fire protection equipment company which has a London listing.

The 14.9 per cent is being acquired, subject to shareholders' approval, from a group of investors, most of whom injected cash into Downiebrae last summer, through a share subscription.

The group includes three Downiebrae directors, Mr W.G. Peacock, the chairman, Mr R.N. Newman and Mr P.N. Beswick.

If shareholders approve the sale, at a price of 50p a share, EFP will then make a tender offer for a further 15 per cent at the same price. The selling shareholders have undertaken to accept the tender for their remaining 44 per cent stake in the group, so it will be assured of success.

Last summer's share subscription was at a price of 32p a share and the company simultaneously raised £750,000 through a rights issue at the same price. Downiebrae's shares closed last night at 69p, up 2p on the day.

Downiebrae's main attraction to EFP would appear to be the cash it raised in last summer's share issue and the acquisition opportunities provided by its listing.

If the deal goes ahead, Mr Murray and Mr Andre Chudnoff, a management consultant, will join the board and Mr Newman and Mr Beswick will resign from it. Mr Peacock will remain as chairman.

Finlan sees growth by acquisition

THE DIRECTORS of Finlan Group yesterday reported a small advance in half-time profits and at the same time said they believed the company was well placed to take advantage of growth opportunities both internally and by acquisition.

A number of acquisition projects were in the pipeline and the coming financial year was expected to be a successful period for the group.

Turnover for the half year to end-September 1987 pushed ahead from £10.08m to £12.64m and profits from £610,284 to £624,058 pre-tax – comparisons have been restated to include the results of Witting Brothers on a merger accounting basis.

Earnings worked through at 2.17p (2.84p) or at 2.04p (2.81p) on a fully diluted basis. The interim dividend is lifted from 1.8p to 2p per 10p share.

The negotiations announced late last year for the acquisition of central London properties from WCRS are at an advanced stage. The purchase would represent a major extension of Finlan's commercial property development activities. It has other interests in construction services and building materials handling.

B&C claims 23% of Appletree

British & Commonwealth Holdings now owns 23.1 per cent of Appletree, its snack foods and fresh produce associate. B&C is building its holding back towards the 24 per cent level prevailing before dilution by Appletree's purchase of Irish beef processor Kildare Meats.

Babygro 64% ahead

Babygro, Fife-based manufacturer of babywear and childrenswear, has issued its first figures since its full listing last July.

These show that taxable profits increased by 64 per cent from £615,000 to £1.01m in the year to November 1 1987.

The directors said the first two months of the current financial year had shown a sales increase ahead of budget, and while that was encouraging, they were conscious of the continued uncertainty in retail trading.

The benefits of the capital expenditure programme during 1987, plus sustained investment in design and product investment should, the directors said, maximise group opportunities.

The group had made significant progress in developing licensing agreements associated with its brands.

Agreements had been completed in the areas of soft toys, educational toys, hardware, hosiery, footwear and nursery textiles.

Group turnover for the year under review was up from £12.64m to £17.82m. There was a tax charge of £251,000, compared with £92,000.

Stated earnings per share improved from 6.8p to 8.5p fully diluted. The initial dividend is 1.606p net.

Murray Smaller asset downturn

Murray Smaller Markets Trust saw its net asset value per ordinary and B ordinary shares decrease to 152.1p on November 30 1987, compared with a corresponding 208.7p.

In the half year to end-November earnings fell to 1.25p (1.31p) and a final dividend of 1.3p is forecast, making 1.85p (1.65p) for the year.

Pre-tax revenue dipped slightly, to £1.04m from £1.11m and tax amounted to £335,611 (£375,801).

The directors said that over one third of the portfolio was invested in the Pacific Basin, where the October crash badly hit equity prices.

Profits setback for Yelverton

Yelverton Investments reported pre-tax profits for the year to end-October down from £349,000 to £211,000 on higher group income of £929,000, against £778,000. Earnings per 5p share for this USM-quoted company fell to 1.12p, compared with 2.8p and there is again no dividend.

Wheway rights

The rights offer made by N M Rothschild on behalf of Wheway for the acquisitions of Interfilta and Cudd Bentley Partnership and the business and assets of Cudd Bentley Associates resulted in acceptances for 11.61m shares representing 41.5 per cent of the shares offered.

The balance has been placed in the market at a premium by Panmure Gordon, brokers to the issue.

Roland Rat Press ganged in a £5m takeover

BY CLAY HARRIS

MR GREGORY Hutchings proved yesterday he had a place in his heart and his portfolio for the World Wildlife Fund's panda, the Pink Panther, My Little Pony and Roland Rat, as well as Smith & Wesson handguns.

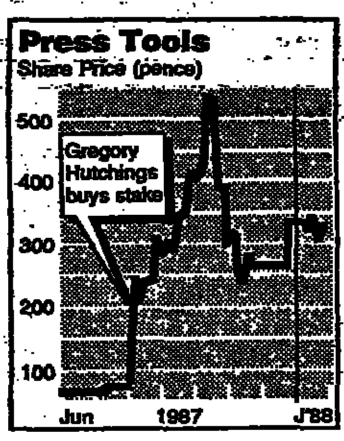
Press Tools, the small engineering group which engages Mr Hutchings' attention when he is not absorbed in his day job as chief executive of industrial holding company F H Tomkins, is to buy Copyright Promotions Group, which merchandises and licenses the commercial use of the preceding menagerie of characters, as well as the ubiquitous Mr Men.

The purchase of Copyright for an initial £5.2m in cash and shares is the first acquisition since Mr Hutchings bought into Press last August with the express intention of creating a corporate umbrella under which entrepreneurs could thrive.

To underline this strategy, Press is to change its name to Mosaic Investments. It also launched a one-for-six rights issue at 250p to raise £2m before expenses. Press shares added 15p to close at 395p.

However cute Copyright's 20 comic-strip and television character "clients" may appear, Mr Hutchings must wish the gunsmiths at Smith & Wesson (which Tomkins bought last year) could achieve such margins. In the year to April 1987, Copyright reported pre-tax profits of £653,000 on turnover of only £1.78m.

Copyright's cash-generating ability led to yesterday's acquisition, as its founders and major shareholders, Mr David Cardwell and Mr Richard Culley, were under pressure to find productive use for a £1m cash hillock.



The company, founded in the early 1970s, receives a commission on royalties paid by a manufacturer or provider of a service for the commercial use of characters. It also designs packaging and brochures using the characters and hires out promotional costumes.

Press directors yesterday successfully resisted the temptation to announce the acquisition dressed up as Roland Rat, according to Mr David Williams, development director.

Copyright and Press were brought together by Mr Williams, in his other role, as head of mergers and acquisitions at Johnson Fry Corporate Finance.

The existing Press businesses, making press tools, lockable wheel nuts and turned parts yesterday reported pre-tax profits of £283,000 (£210,000) for the six months to October 31.

Turnover rose to £3.06m (£2.42m). Earnings per share, unadjusted for a previous rights issue, fell to 4.62p (6.4p). The interim dividend is unchanged at 1p.

Mr Hutchings is non-executive deputy chairman of Press and its single largest shareholder, owning more than 30 per cent before the rights issue.

The initial payment for Copyright will comprise £2.64m in cash and 282,192 shares. Additional payments of up to £5.2m are linked to profits up to April 1991.

Midway fall for British Bloodstock

Taxable profits of The British Bloodstock Agency, USM-quoted thoroughbred horse dealer, shipper and insurer, failed to show any recovery in the six months to end-September 1987.

They declined from £175,000 to £118,000.

Turnover rose from £2m to £2.03m. Tax took less at £66,000 (£86,000), resulting in earnings per share of 1.5p (2.8p).

The interim dividend is maintained at 2.5p.

COMMODITIES AND AGRICULTURE

Gold traders expect Newmont loan

TRADERS WERE linking the weakening gold price yesterday with suggestions that Newmont Mining of the US is arranging a 1m troy ounce gold loan, more than twice the size of any previous gold-based loan, writes Kenneth Gooding.

Gold bullion fell to $469.75 an ounce in the afternoon "fix" in London yesterday, its lowest price since November 23, and closed at $470.25, down $1.50.

Traders suggested that it would be surprising if Newmont had not sold at least a substantial proportion of the gold it intends to borrow and then pay back ounce for ounce from future production.

Newmont so far has not formally confirmed its intention to raise the gold-based loan but it is widely expected a statement will be made within the next few days.

The indications are that a syndicate of international banks lead by the Bank of Nova Scotia will lend the gold to Newmont, North America's largest gold producer, which will pay interest at 1.5 per cent.

Newmont will use the cash raised from selling the gold to reduce the $2bn of debt built up last year when it paid a special $33 a share dividend to thwart a takeover attempt by a group lead by the well-known corporate raider Mr T Boone Pickens.

During the battle Consolidated Goldfields, the UK-based mining finance group, spent $455m net to increase its stake in Newmont to 49.7 per cent. Consolidated is expected also to reduce some of its debt by way of a gold loan before long.

Study Group reports zinc production at record level

BY KENNETH GOODING, MINING CORRESPONDENT

PRODUCTION and consumption of zinc in the non-socialist world reached record levels in 1987, according to provisional estimates by the International Lead and Zinc Study Group.

Mine output rose by 4.6 per cent from the 1986 total to 5.31m tonnes and zinc production by nearly 4 per cent to move above 5m tonnes for the first time and reach 5.045m tonnes.

Zinc consumption, fueled mainly by demand for galvanising, the major end-use, rose by 2.4 per cent to a peak 5.036m, according to the estimates, continuing the strong upward trend also seen during 1986.

Stocks of zinc metal held by producers were drawn down substantially during last year, reflecting the balance between supply and demand and a substantial loss of production in Canada for the second successive year due to a protracted industrial dispute – a four-month strike at Cominco's smelter in Trail, British Columbia.

The rise of 234,000 tonnes in mine production resulted principally from an expansion of 203,000 tonnes in Canada where capacity at Curragh Resources Faro mine was expanded and contributed a full year's output following its re-opening in mid-1986.

Production of refined zinc increased by 190,000 tonnes. In Europe a rise of 100,000 tonnes took the total output above 2m tonnes for the first time.

The preliminary assessment of metal consumption indicates a rise of 119,000 tonnes, including increases of 24,000 tonnes in Europe (to 1.73m tonnes) and 30,000 tonnes (to 1.03m tonnes) in the US. In Japan, however, consumption of zinc fell by 33,000 tonnes to 720,000 tonnes, the lowest level since 1982.

Total commercial stocks of zinc, including estimates of those held by consumers and merchants, are assessed at 580,000 tonnes, showing a reduction of 35,000 tonnes from the end of 1986.

The study group says that preliminary indications show mine output of lead rose by nearly 1 per cent or 18,000 tonnes from the 1986 level last year to 2.4m tonnes.

Refined lead production rose by more than 2 per cent or 104,000 tonnes to 4.17m tonnes and consumption was maintained at a high level – 4.09m tonnes.

Total commercial stocks increased by 18,000 tonnes during last year to 418,000 tonnes.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,290-2,330 (same).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 4.45-4.65 (4.40-4.55).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 3.12-3.20 (2.98-3.05), sticks 3.12-3.20 (3.00-3.08).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.15-7.35 (7.10-7.30).

MERCURY: European free market, min 99.99 per cent, $ per 76 lb flask, in warehouse, 305-315 (303-310).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.20-3.30 (3.15-3.20).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.10-9.30 (9.05-9.30).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit (10 kgs) WO_3, cif, 49-58 (same).

VANADIUM: European free market, min 98 per cent V_2O_5, cif, 2.80-2.90 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.65 (same).

Indonesia offered 18% tin quota rise

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA'S TIN export quota is to be raised by 18 per cent from March, the largest increase under new terms of the supply rationalisation scheme proposed by the executive committee of the 7-member Association of Tin Producing Countries in Kuala Lumpur earlier this month

The revised allocations, which have still to be agreed at a ministerial meeting expected next month, give Australia 7,700 tonnes (increased from 7,000); Bolivia 12,500 (13,761); Indonesia 29,000 (24,516); Malaysia 31,650 (28,526); Thailand 19,000 (unchanged); Nigeria 550 (1,461); and Zaire 1,500 (1,736).

Total export quotas for the year starting March will be raised from 96,000 tonnes to 101,900 tonnes.

The proposed quotas, revealed by Pt Timah, Indonesia's state-run tin company, are seen to reflect more accurately the production capacity of member countries. Bolivia, for example, is said to be unable to meet its current allowance. Malaysia and Indonesia, the chief architects of the scheme, have both pressed for increases.

The export quotas are aimed at raising prices by reducing the overhang of stocks which have depressed the market since the collapse of the International Tin Council's support activities in October 1985.

Prices are now at about US$4,000 a tonne, having inched up over the 11 months of the agreement. Indonesian tin officials are confident, however, that the overhang stocks, currently estimated at about 50,000 tonnes, will be cut to 20,000 tonnes by August this year.

The ATPC also allocated a nominal quota to two non-member tin producers.

New York sugar market 'hopping'

By Deborah Hargreaves in Chicago

AFTER POSTING a record volume of over 6m contracts for last year, New York's Coffee, Sugar & Cocoa Exchange has seen burgeoning interest in its raw sugar futures and options in the last couple of months. "Busy is not the word . . . this market's been hopping," says Ms Judy Weissman, sugar trader at Shearson Lehman.

Open interest in sugar futures – the number of unmatched trades – has reached a record 154,900 contracts, and the exchange's sugar options have been setting new daily volume records as trading has passed the 8,500-a-day mark this month. The increased volume has led to exchange seat prices almost doubling since the end of last year. The latest seat was sold for $100,000 – a rise from $58,000 on December 31.

The rise in sugar trading volume has been in response to changes in the world supply/demand balance, including a reduction in US carry-over stocks. "We're looking at a rise in demand from India, Pakistan, China," explains Ms Lisbeth Keefe, sugar trader at Cargill, "and problems with Thailand's crop." Ms Keefe expects a reduction in the Brazilian crop this year, but stresses that this should not affect exports.

Active hedging by sugar processors in the New York market has attracted a lot of speculative interest in sugar, Ms Keefe says. "From the calls I'm getting, we've got everybody wanting to own sugar."

But while the exchange's volume in raw sugar futures has been "overwhelming" this has had little effect on its fledgling white sugar futures contract, where open interest stands at just 439. This is partly because the basis relationship between raw and refined sugar has "become pretty stable over the last couple of months," according to Mr Jim Bowe, CSCE vice president.

● The large speculative interest in the world sugar market, which has taken prices into areas not seen since 1983, is distorting the relationship between the physical and futures markets, according to the latest report from brokers Woodhouse Drake & Carey, writes Our Commodities Staff.

Sugar for immediate delivery is not as easy to move as in recent weeks as consumers adjust their purchasing policy in line with the futures markets, which are now showing a premium for cash sugar, says the report.

Learning the lessons of Chernobyl

FARMER'S VIEWPOINT

By John Cherrington

I BELIEVE that the most damaging single blow ever to be suffered by the European farming industry was the Chernobyl accident in April 1986. In the Soviet Union itself the immediate impact was spectacular in ruined land and dying livestock, but the fallout spread and spread through northern Europe, even reaching parts of the US.

Its worst effects in Britain were in the high rainfall areas of North Wales, Cumbria and southwest Scotland.

The authorities were slow to act, almost as if they did not want to know, and it was about mid-summer before sheep were being monitored and movement restrictions imposed.

It was found that lambs were carrying quite high counts of caesium 137 and a limit was set at 1,000 bequerels per kg. When the lambs were moved to other pastures these counts decreased quite rapidly.

There is a good practical explanation of the delay in the development of the contamination of the lambs. For the first six to eight weeks of their lives they live mainly on their mothers' milk eating very little in the way of herbage.

The main soils which were contaminated were the peats, where molina grass and soft rush are the main feed for sheep. Because of the depth of their root systems these plants can hold the caesium 137 for from 13 to 30 years.

It is only thanks to a subcommittee of the Welsh Country Landowners' Association that this information is now coming to light. But the problem is not confined to Wales – it is even more acute in Cumbria and fresh contamination has been found this year in Yorkshire and, I understand, Northern Ireland.

The CLA report has been attacked ferociously by the Farmers' Union of Wales on the grounds that it could spoil the sale of stock from that area, and the subject is a political hot potato in Cumbria as in other affected areas. In fact it is very difficult to get any information at all from official sources. The report accuses the Ministry of Agriculture of being remote and not considering or consulting with the farming industry, which has the practical knowledge of dealing with sheep husbandry. Of particular concern is the life of caesium 137 in peat soils and of possible means of reducing it.

It is suggested by the CLA that the vegetation affected by caesium 137 could be burnt off in a dry period, allowing the residues to become eroded from the soil rather more quickly than by natural drainage, which apparently would be at a rate of 1cm a year. As caesium 137 has a half life of 30 years it would probably take that length of time to remove the danger.

But what is the danger either to animal and human health? For humans it is to those who consume animal flesh or milk products. The present British standard for sheep is a maximum of 1,000 bq per kg; in Scandinavia it is 300bq per kilo.

The report suggests that with good husbandry it should be possible to keep the grazing sheep away from the worst affected areas. Mountain sheep have fixed grazing patterns and by close study of excreta etc hot spots of contamination could be identified. But this would all cost money. The known direct cost of the restrictions on sale and movement amount to about £7 a sheep, which is funded by the Ministry. No wonder there is little enthusiasm to look into the matter further.

These hill areas are the main source of breeding sheep for many lowland flocks. Any interruption in these sales would be catastrophic for the farmers involved, hence the reaction of the FUW and a similar response from the Cumbrian area when it was suggested that there should be a scientific enquiry into fallout effects.

The national CLA did try and get one going but the National Farmers' Union refused to back it. The Welsh report does recognise the financial implications and suggests that all countries running nuclear generation programmes should contribute to a fund devoted to insuring against accidents of this nature.

For the moment because of the secretiveness of almost everyone concerned no one really knows what the damage is likely to be. Ministry of Agriculture officials, among others, have been playing down the effect on health of eating meat with 1,000 bq of Caesium 137 per kg. But has any one yet been tested to destruction on such a diet? And why have some countries gone to much higher standards?

The admission, a few days ago, that the report on the Windscale disaster was concealed by the Macmillan Government under the 30 year rule, has done little to foster confidence in the candour of official reports.

Tanzanian cassava threatened by outbreak of mealy bugs

BY PHILIP SMITH IN DAR ES SALAAM

TANZANIA'S Government has quarantined nearly a third of its cassava growing regions to try to stop the spread of a sudden mealy bug outbreak.

The blight brings into serious doubt the country's ability to feed itself during an expected drought this year as cassava, a type of sweet potato, forms a significant part of the diet for much of the population.

Ironically, the move follows an assurance by the ruling Chama Cha Mapinduzi Party assured that there would be enough food should the rainy season (from March to late May) fail – as people rationed and stored their supplies and farmers grew the drought resistant cassava plant.

Maize exports have been banned to help meet a domestic shortfall and 80,000 tonnes have been stockpiled "for strategic purposes," the party said.

The Assistant Commissioner for Plant Protection and Ministry of Agriculture and Livestock development, Mr Albert Mushi, said the pests had never been seen in such numbers before in Tanzania nor had they attacked cassava plants. District Agricultural Officers will meet next month to devise a strategy to fight the bug.

The six regions, Dar es Salaam, Zanzibar and coast to the east, Kigoma and Rukwa in the west and Ruvuma in the south, have been banned from moving roots and leaves from the plants across their borders. Badly hurt crops are being burned and others being sprayed with pesticide, he said.

The mealy bug kills plants by injecting a poisonous fluid as it drinks the sap. It was first reported in Latin America in 1981 but now ranges throughout Central Africa.

Peruvian miners strike over pay

BY BARBARA DURR IN LIMA

A STRIKE THAT began on Monday morning at Centromin, Peru's largest mining company, could broaden if the state-owned company is intransigent on workers's wage demands. The mining complex produces copper, lead, silver, zinc, gold, cadmium and bismuth.

Some 8,000 of Centromin's 15,000 workers walked on Monday, affecting three of the company's largest mines, Cerro de Pasco, Cobriza, and Yauricocha. The Federation of Miners said that more workers could join the strike if negotiations failed to satisfy the union's demands.

The miners are asking for a daily wage increase of 250 Intis, approximately four dollars, while the company was offering just 91 Intis, or $1.44.

It is believed that the strike will continue at least through the 24 hour national strike called for tomorrow. But industry officials suggested that a resolution was possible thereafter. They said Centromin would be keen to avoid another disastrous strike such as the 47 day stoppage that occurred in 1986 and that the miners' union was no longer as politicised as it was two years ago.

If the strike is resolved within a few days, no effect on production is expected. If it were to last a week or more, however, production and consequently international prices could be affected.

No company official was available for comment.

F.F. Wolff

MR FRED WOLFF, former chairman of the committee of the London Metal Exchange and the Federation of Commodity Associations, died yesterday aged 77.

Mr Wolff, one of the best-known figures in London metal-trading circles, joined the family firm of Rudolf Wolff & Company, leading metal merchants and founder members of the LME, in 1929. After serving in the Oxfordshire and Bucks Light Infantry during the Second World War, he rejoined the firm in 1946, becoming a partner in 1951.

During his time as a senior partner, and as chairman of the LME committee between 1970 and 1977, he made a series of worldwide promotional tours which were an invaluable contribution to establishing the international reputation of the LME.

He was appointed a CBE in 1975 for this work and his service on the Committee of Invisible Exports.

Mr Wolff, who won a gold medal in the 1936 Olympics 4 x 400 metres relay, was one of the most colourful City characters of his day. He was also well-known for his work on behalf of the handicapped, becoming involved in 1957 with the Handicapped Children's Pilgrimage Trust, who were organising their first pilgrimage to Lourdes. The trust now takes 2,500 handicapped children to Lourdes every year.

He is survived by his wife Natalie, two sons, three daughters and 22 grandchildren.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE RECENT rise in London Metal Exchange nickel prices stepped up a gear yesterday and the cash position gained £225 to close at £4,780 a tonne. Yesterday's advance was attributed to chart-inspired buying, given extra impetus by the breach of an established resistance point. With the market seen as "fundamentally sound" analysts were encouraged in the view that nickel prices were working back towards the record highs reached last month. In contrast LME copper lost the gains of the previous two days with the cash position closing £43 lower at £1,376 a tonne. Traders said business was thin. In the cocoa futures market news of further buffer stock purchasing failed to dispel the easier tone engendered by the International Cocoa Organisation's higher-than-expected estimate of the 1987/88 production surplus. The May position ended £8 down at £1,151 a tonne.

COCOA £/tonne

	Close	Previous	High/Low
Mar	1127	1137	1138 1125
May	1151	1159	1160 1147
Jly	1171	1180	1179 1169
Sep	1190	1198	1196 1189
Dec	1212	1217	1217 1211
Mar	1233	1237	1237 1229
May	1252	1257	1256 1250

Turnover: 3602 (4152) lots of 10 tonnes

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1182	1187	1190 1175
Mar	1213	1212	1219 1209
May	1237	1228	1242 1231
Jly	1262	1264	1265 1255
Sep	1283	1286	1284 1275
Nov	1300	1305	1303 1302
Jan	1320	1325	

Turnover: 2818 (2628) lots of 5 tonnes

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	232.00	234.40	234.40 227.20
May	228.80	231.40	230.60 226.00
Aug	225.00	227.00	228.40 222.00
Oct	224.40	227.40	227.00 222.40
Dec	224.40	227.60	
Mar	224.00	226.80	226.00 221.80
May	226.00	229.00	222.00

White	Close	Previous	High/Low
Mar	262.00	265.00	262.00 259.00
May	263.00	265.00	263.50 257.00
Aug	265.00	268.00	265.00 261.00
Oct	265.00	268.00	
Dec	265.00	268.00	264.50
Mar	268.00	268.00	268.50 264.00
May	268.00	269.00	

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	141.25	142.50	143.75 140.75
Mar	140.25	140.75	142.50 139.75
Apr	137.50	137.25	139.25 137.50
May	135.00	134.75	136.50 135.00
Jun	134.50	135.50	136.00 135.50
Jly	135.50	136.50	136.50

Turnover: 3423 (4712) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	110.75	111.30	111.10 110.50
May	113.05	113.65	113.50 112.90
Jly	115.25	115.85	115.65 115.10
Sep	102.50	102.45	102.50
Nov	104.40	104.35	104.50 104.40
Jan	106.80	107.00	107.00 106.90

Barley	Close	Previous	High/Low
Mar	106.95	106.75	107.00 106.75
May	107.85	107.75	107.85 107.75
Sep	97.45	97.25	
Nov	100.10	100.00	
Jan	102.00	101.90	102.00 101.90
Mar	102.00		

Turnover: Wheat 403 (178), Barley 49 (50) lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Feb	97.50	97.30	98.50
Mar	85.00	86.00	
Apr	133.20	134.00	133.50 132.00
May	165.90	167.80	167.50 166.00
Nov	95.00	95.50	95.00
Feb	105.00	105.00	

Turnover: 353 (416) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	129.70	129.50	129.00
Jun	123.50	123.70	123.50
Aug	122.00	122.30	122.20
Oct	124.00	124.30	123.50
Dec	128.00	128.50	
Feb	128.00	129.00	

Turnover: 147 (105) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1382.0	1394.0	1395.0 1392.0
Apr	1421.0	1409.0	1422.0 1410.0
Jly	1288.0	1295.0	1293.0 1287.0
Oct	1317.5	1303.0	1317.5 1305.0
BFI	1391.0	1394.0	

Turnover: 187 (421)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,500 tonne
Cash	1975-80	2010-5		1975-80		
3 months	1870-5	1890-900		1870-75	1870-80	2,768 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 26,350 tonne

US MARKETS

IN LACKLUSTRE TRADING precious metals underwent a modest recovery from Monday's fall, reports Drexel Burnham Lambert. Commission house buying and local short-covering featured in the face of light trade selling. A rally in the US dollar late in the morning saw prices ease as light sell-stops were touched off, but the markets recovered in the afternoon. Light commission house and trade selling were noted in crude oil in a market otherwise dominated by local activity, while in the products, selling of heating oil against unleaded gasoline was the main feature. Sugar eased on early reports of possible Brazilian sales, but found support at the lows, and trade and commission house buying produced a late rally. Cocoa eased on light arbitrage and commission house selling. Coffee closed marginally higher with trade support a feature. Cotton was mainly on the defensive as commission house sell-stops were elected, driving prices lower. Commission house liquidation eased nearby cattle futures, but higher cash prices kept the forward months firm.

New York

Chicago

JUTE

COTTON

Liverpool – Spot and shipment sales for the week ending January 22 amounted to 543 tonnes against 784 tonnes in the previous week. Fair operations occurred with dealings in West African, Israeli, Spanish, Russian, American and Sudanese growths.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar awaits GNP data

THE DOLLAR failed to hold on to early gains and finished roughly where it was in London on Monday. A sharper than expected rise of 6.7 p.c. in US durable goods orders took a while to sink in but eventually provoked only a mild rally.

Sellers soon gained the upper hand as the dollar broke through the DM1.6800 level and there was insufficient impetus to sustain a break above this point. Traders were preferring to wait for the release today of US 4th quarter GNP figures before committing themselves either way.

The dollar moved up to DM1.6810 at one stage but finished at DM1.6760, little changed from DM1.6775 on Monday. Against the yen it edged up to Y127.85 from Y127.75. Elsewhere it finished at SFr1.3610 from SFr1.3615 and FFr5.6500 from FFr5.6550. On Bank of England figures, the dollar's exchange rate index closed at 94.3 from 94.4.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Exchange rate index fell to 74.3 from 74.4, having opened at 74.1.

Sterling recovered from a weak start to finish with a modest gain on its overnight levels. Dealers now saw little chance of an early rise in UK base rates, especially after recent economic data which suggested a slow down in growth. However, while few expected the pace of economic expansion sustained last year, to be maintained this year, the corporate sector remained reasonably optimistic about achieving a creditable rate of expansion.

This was the message given by yesterday's release of the CBI's quarterly survey on industrial trends.

The more immediate influences affecting sterling however, centred on tomorrow's release of UK trade figures for December. Many traders had taken short positions on sterling in the belief that December's visible deficit would widen from November's £1.19bn shortfall.

Despite this, the pound staged a rally during the afternoon, helped by a bout of late short covering. This was sufficient to push the pound up to $1.7745 from $1.7720 on Monday and DM2.9750 compared with DM2.9725. It was also firmer against the yen at Y226.75 from Y226.25. Elsewhere it improved to FFr10.0250 from FFr10.0200 and SFr2.4150 from SFr2.4125.

D-MARK-Trading range against the dollar in 1987/88 is 1.8305 to 1.5740. December average 1.6354. Exchange rate index 149.6 against 146.3 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar rose to DM1.6750 from DM1.6745. Traders suggested that European markets were unlikely to provide any fresh impetus for the US unit, with most traders tending to wait for the start of trading in New York.

While the threat of central bank intervention provided underlying support, there was insufficient impetus to push the dollar much beyond a resistance level of DM1.6800.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. December average 128.45. Exchange rate index 241.1 against 214.3 six months ago.

Initial reaction to President Reagan's speech was one of disappointment. However it seemed less than likely that the President would risk introducing any controversial legislation in the run up to November's Presidential election.

The dollar closed at Y127.55 down from Y127.95 in New York, having touched a low of Y127.45.

£ IN NEW YORK

Jan.26	Latest	Previous Close
£ Spot	1.7690-1.7700	1.7680-1.7690
1 month	0.26-0.23pm	0.26-0.24pm
3 months	0.73-0.68pm	0.70-0.68pm
12 months	2.62-2.52pm	2.60-2.53pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.26	Previous
8.30 am	74.1	74.6
9.00 am	74.2	74.4
10.00 am	74.2	74.4
11.00 am	74.2	74.4
Noon	74.2	74.4
1.00 pm	74.2	74.5
2.00 pm	74.1	74.5
3.00 pm	74.2	74.4
4.00 pm	74.3	74.4

CURRENCY RATES

Jan.26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.769962	0.696359
U.S Dollar	6	1.36776	1.23256
Canadian $	8.75	1.75060	1.57718
Austrian Sch.	3	16.0958	14.5220
Belgian Franc	7	47.8442	43.1209
Danish Krone	7½	8.78444	7.92948
Deutsche Mark	2½	2.29031	2.06552
Neth. Guilder	3½	2.57207	2.31992
French Franc	9½	7.72601	6.96332
Italian Lira	12½	1682.92	1517.89
Japanese Yen	2½	174.595	157.151
Norway Krone	8	8.71673	7.85076
Spanish Peseta	-	154.967	140.038
Swedish Krona	7½	8.22297	7.42491
Swiss Franc	2½	1.85605	1.67319
Greek Drach.	20½	182.726	164.756
Irish Punt	-	N/A	0.777343

All SDR rates for January 25

CURRENCY MOVEMENTS

Jan.25	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.3	-19.4
U.S Dollar	94.3	-12.2
Canadian Dollar	78.6	-8.5
Austrian Schilling	140.7	+10.6
Belgian Franc	100.8	-4.5
Danish Krone	93.7	+3.0
Deutsche Mark	149.6	+23.0
Swiss Franc	180.6	+26.8
Guilder	138.2	+13.7
French Franc	72.2	-11.9
Lira	47.2	-18.8
Yen	241.1	+80.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)

OTHER CURRENCIES

Jan.26	£	$
Argentina	9.6930-9.7870	5.4850-5.5350
Australia	2.4660-2.4690	1.3975-1.3985
Brazil	141.80-141.85	79.820-80.220
Finland	7.1995-7.2150	4.0780-4.0800
Greece	234.50-238.55	132.60-134.80
Hong Kong	13.7640-13.7810	7.7950-7.7970
Iran	119.70*	66.80*
Korea(Sth)	1382.50-1394.00	781.50-787.90
Kuwait	0.48590-0.48650	0.27495-0.27505
Luxembourg	62.05-62.15	34.95-35.05
Malaysia	4.5095-4.5210	2.5560-2.5580
Mexico	3922.10-3941.35	2219.00-2228.00
N. Zealand	2.6290-2.6340	1.4890-1.4915
Saudi Ar.	6.6280-6.6340	3.7500-3.7510
Singapore	3.5670-3.5745	2.0210-2.0225
S. Af (Cm)	3.5054-3.5215	1.9870-1.9910
S. Af (Fn)	5.1230-5.2740	2.8985-2.9850
Taiwan	50.50-50.75	28.55-28.65
U.A.E.	6.4910-6.4970	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1209	+1.56	+0.89	±1.5344
Danish Krone	7.85212	7.92348	+0.91	-0.24	±1.5404
German D-Mark	2.05853	2.06552	+0.34	-0.33	±1.0981
French Franc	6.90403	6.96332	+0.86	+0.19	±1.3674
Dutch Guilder	2.31943	2.31992	+0.02	-0.65	±1.5012
Irish Punt	0.768411	0.777343	+1.16	+0.49	±1.6684
Italian Lira	1483.58	1517.89	+2.31	+2.09	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7635-1.7760	1.7740-1.7750	0.26-0.23cpm	1.66	0.72-0.67pm	1.57
Ireland†	1.5807-1.5870	1.5845-1.5855	0.15-0.11cpm	0.99	0.40-0.32pm	0.91
Canada	1.2770-1.2810	1.2795-1.2805	0.19-0.22cdis	-1.92	0.53-0.56dis	-1.70
Netherlands	1.8795-1.8880	1.8820-1.8830	0.48-0.45cpm	2.96	1.37-1.34pm	2.87
Belgium	34.93-35.08	34.95-35.05	3-parpm	-0.51	8-3pm	0.63
Denmark	6.42-6.44¾	6.43¼-6.43¾	0.95-1.55oredis	-2.33	3.30-3.90dis	-2.24
W. Germany	1.6725-1.6810	1.6755-1.6765	0.55-0.52pfpm	3.82	1.57-1.52pm	3.69
Portugal	136-137¼	136½-137¼	90-130cdis	-9.65	250-300dis	-7.75
Spain	113.30-113.92	113.70-113.80	50-65cdis	-6.06	140-170dis	-5.44
Italy	1229-1235	1232½-1233½	3.00-4.00lire dis	-3.41	9.00-12.00dis	-3.41
Norway	6.35½-6.38½	6.37½-6.38	3.75-4.10oredis	-7.39	11.30-11.70dis	-7.21
France	5.64-5.66¾	5.64¾-5.65¼	0.25-0.45cdis	-0.74	1.50-1.80dis	-1.16
Sweden	6.01¾-6.03¾	6.02½-6.03	1.25-1.45oredis	-2.69	3.55-3.85dis	-2.45
Japan	127.30-127.90	127.80-127.90	0.34-0.31ypm	3.05	0.94-0.90pm	2.88
Austria	11.76½-11.82½	11.80-11.80½	2.65-2.35gropm	2.54	8.00-7.00pm	2.54
Switzerland	1.3545-1.3620	1.3605-1.3615	0.71-0.68cpm	6.13	1.80-1.75pm	5.22

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.05-35.15.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7635-1.7760	1.7740-1.7750	0.26-0.23cpm	1.66	0.72-0.67pm	1.57
Canada	2.2612-2.2705	2.2695-2.2705	par-0.10cdis	-0.26	0.01-0.14dis	-0.13
Netherlands	3.32¾-3.34½	3.33½-3.34½	1½-1cpm	4.49	4-3¾	4.42
Belgium	61.77-62.15	62.05-62.15	10-3cpm	1.26	44-25pm	2.22
Denmark	11.36¼-11.42½	11.41½-11.42½	¼-1¾oredis	-0.85	1½-2¾dis	-0.74
Ireland	1.1150-1.1200	1.1175-1.1185	0.08-0.01cpm	0.48	0.21-0.06pm	0.48
W. Germany	2.96¼-2.98	2.97-2.98	1½-1¼pfpm	5.55	4½-3¾pm	5.21
Portugal	241.20-242.70	241.60-242.60	120-202cdis	-7.98	302-440dis	-6.13
Spain	200.72-201.55	201.05-201.35	60-89cdis	-4.44	169-218dis	-3.85
Italy	2177½-2188½	2187½-2188½	par-6lire dis	-1.65	5-15dis	-1.83
Norway	11.26-11.32¼	11.31¼-11.32¼	4¾-6oredis	-5.63	15¼-16½dis	-5.61
France	9.98¾-10.03	10.02-10.03	1½-¼cpm	1.05	2¼-¾pm	0.57
Sweden	10.64½-10.70	10.69-10.70	¾-1½oredis	-1.05	1½-3dis	-0.86
Japan	225¾-227¼	226¼-227¼	1½-1⅝ypm	4.63	2⅞-2½pm	4.41
Austria	20.84-20.93	20.91-20.95	7½-6½gropm	4.05	23½-20pm	4.16
Switzerland	2.39-2.42	2.41-2.42	1½-1¼cpm	7.45	4½-3¾pm	6.73

Belgian rate is convertible francs. Financial franc 62.25-62.35. Six-month forward dollar 1.45-1.40cpm 12 month 2.67-2.57pm

EURO-CURRENCY INTEREST RATES

Jan.26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¼-8	8¼-8⅛	8⅝-8½	8⅞-8¾	9-8⅞	9⅛-9¼
US Dollar	6¾-6⅝	6⅞-6⅝	7-6⅞	7⅛-7	7¼-7⅛	7½-7⅜
Can. Dollar	8½-8¼	8⅝-8⅜	8⅝-8⅜	8⅝-8½	8⅞-8⅝	9¼-9⅛
D. Guilder	4-3¾	4-3¾	4-3⅞	4⅛-4	4⅜-4¼	4½-4⅜
Sw. Franc	½-⅜	¾-⅝	1⅛-1	1⅝-1½	2¼-2⅛	2⅝-2½
Deutschmark	3⅝-3½	3⅝-3½	3⅝-3½	3⅞-3¾	3⅞-3¾	3⅞-3¾
Fr. Franc	7¾-7½	7⅞-7⅝	7⅞-7¾	8⅛-8	8⅜-8¼	8⅝-8½
Italian Lire	11½-9½	10⅝-9⅝	10¾-10	11-10⅝	11-10¾	11⅜-11
B. Fr. (Fin)	6⅝-6½	6⅝-6½	6⅝-6½	6⅝-6½	6⅝-6½	6⅞-6¾
B. Fr. (Con.)	6½-6⅜	6⅝-6½	6⅝-6½	6⅝-6½	6⅝-6½	6⅞-6½
Yen	3⅞-3⅝	4½-4⅜	4⅛-4	4⅛-4	4⅛-4	4⅜-4¼
D. Krone	9½-8¾	9½-9	9⅝-9⅛	9⅝-9⅜	9⅝-9⅜	9⅝-9½
Asian $Sing	6⅝-6½	6⅝-6½	7-6⅞	7⅛-7	7¼-7⅛	7⅝-7½

Long term Eurodollars: two years 8⅛-8 per cent; three years 8⅝-8½ per cent; four years 8⅞-8¾ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.775	2.975	226.8	10.03	2.415	3.340	2188	2.270	62.10
$	0.563	1	1.676	127.8	5.651	1.361	1.882	1233	1.279	34.99
DM	0.336	0.597	1	76.24	3.371	0.812	1.123	735.5	0.763	20.87
YEN	4.409	7.826	13.12	1000.	44.22	10.65	14.73	9647	10.01	273.8
F Fr.	0.997	1.770	2.966	226.1	10.	2.408	3.330	2181	2.263	61.91
S Fr.	0.414	0.735	1.232	93.91	4.153	1	1.383	906.0	0.940	25.71
H Fl.	0.299	0.531	0.891	67.90	3.003	0.725	1	655.1	0.680	18.59
Lira	0.457	0.811	1.360	103.7	4.584	1.104	1.527	1000.	1.037	28.38
C $	0.441	0.782	1.311	[illegible]	4.419	1.064	1.471	963.9	1	27.36
B Fr.	1.610	2.858	4.791	365.2	16.15	3.889	5.378	3523	3.655	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Picture may not be all gloom

THE US economic picture may not be all gloom and doom, according to economists, after yesterday's announcement of durable goods orders for December.

It was quickly pointed out that the durable goods series is notoriously volatile, but even allowing for a likely correction at a future date the rise of 6.7 p.c. was well above any forecast.

Aircraft orders accounted for about two thirds of the rise, but even after stripping this out the figure appears to be about 2.5 p.c., said Mr Geoffrey Dennis, international economist, at James Capel. This compares with expectations of about 0.5 p.c.

US Treasury bond futures weakened on the news. March delivery bonds fell to a low of 91-02 on Liffe, before closing at 91-10, compared with 91-31 on Monday.

Mr Dennis warned against getting too carried away with the durable goods figure, but along with other economists was encouraged by signs of strong industrial performance.

Mr Marc Hendriks, economist at Barings Economics Unit, believes it is good news for the US economy, pointing to strength in export industries, coupled with a high level of stock building, suggesting a fall in consumer spending.

Other economists, including Mr Gavin Davies, at Goldman Sachs, and Mr Rupert Thompson, at Morgan Grenfell, agreed with this general scenario.

The market now waits to see the effect on today's fourth quarter US GNP figure, which has been forecast to show growth ranging from 2 p.c. to 5 p.c., with a median level of about 3.5 p.c.

Mr Dennis said yesterday's announcement showed the US economy was running strongly

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
116	3.26	4.36	0.18	1.36
118	1.60	3.22	0.52	2.22
120	0.61	2.23	1.53	3.23
122	0.25	1.39	3.17	4.39
124	0.10	1.03	5.02	6.03
126	0.05	0.42	6.61	7.42
128	0.01	0.25	8.57	9.25
130	0.00	0.14	10.56	11.14

Estimated volume total, Calls 3149 Puts 2078
Previous day's open int: Calls 38867 Puts 21356

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	9.21	8.61	0.01	0.39
84	7.25	7.22	0.05	1.00
86	5.35	5.57	0.15	1.35
88	3.49	4.33	0.29	2.11
90	2.12	3.15	0.56	2.57
92	0.63	2.12	1.43	3.54
94	0.27	1.32	3.07	5.10
96	0.13	1.02	4.57	6.44

Estimated volume total, Calls 131 Puts 11
Previous day's open int: Calls 1006 Puts 1136

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	-	-	-	-
16500	13.21	15.38	1.61	3.78
17000	9.58	12.15	2.98	7.79
17500	6.60	9.39	5.00	7.79
18000	4.30	7.09	7.70	10.49
18500	2.65	5.24	11.05	13.64
19000	1.54	3.78	14.94	17.18
19500	0.85	2.67	19.25	21.07

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 12 Puts 71

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.65	12.20	12.20	12.20	12.39	0.01	0.20	0.57	1.27
1.70	7.23	7.63	8.08	8.69	0.17	0.81	1.52	2.57
1.75	3.19	4.14	4.85	5.70	1.13	2.32	3.29	4.58
1.80	0.88	1.85	2.59	3.48	3.82	5.03	6.03	7.36
1.85	0.13	0.66	1.22	1.98	8.07	8.84	9.66	10.86
1.90	0.01	0.19	0.50	1.04	12.95	13.37	13.94	14.92
1.95	0.00	0.04	-	0.51	17.94	18.22	-	19.39

Estimated volume total, Calls 0 Puts 60
Previous day's open int: Calls 317 Puts 563

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.60	-	23.90	-	23.80	-	0.30	-	0.50
1.65	-	14.80	-	18.65	-	0.25	-	1.30
1.70	7.95	8.30	8.85	9.95	0.45	1.00	1.75	2.60
1.75	3.75	4.55	5.50	6.20	1.35	2.30	3.45	4.40
1.80	1.30	2.20	3.10	3.90	3.70	4.75	5.95	7.00
1.85	0.55	1.00	1.75	2.35	7.75	8.50	9.40	10.30
1.90	0.30	0.40	0.60	1.05	12.50	12.50	12.65	13.00

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 732 Puts 573

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.700	6.65	7.10	7.65	8.25	0.25	0.90	1.70	2.60
1.725	4.45	5.20	5.90	6.65	0.60	1.45	2.45	3.50
1.750	2.65	3.60	4.40	5.25	1.25	2.30	3.45	4.55
1.775	1.35	2.35	3.20	4.10	2.30	3.50	4.70	5.90
1.800	0.60	1.50	2.25	3.15	4.00	5.10	6.20	7.40
1.825	0.20	0.90	1.60	2.35	6.05	6.95	7.90	9.05
1.850	0.05	0.50	1.10	1.80	8.35	9.00	9.80	10.85

Previous day's open int: Calls 364,533 Puts 373,941
Previous day's volume: Calls 8,808 Puts 19,372

LIFFE- EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
90.25	2.38	2.15	1.99	1.85	0.00	0.02	0.11	0.24
90.50	2.13	1.91	1.78	1.64	0.00	0.03	0.15	0.28
90.75	1.88	1.68	1.57	1.45	0.00	0.05	0.19	0.34
91.00	1.63	1.45	1.36	1.27	0.00	0.07	0.23	0.41
91.25	1.38	1.23	1.17	1.10	0.00	0.10	0.29	0.49
91.50	1.13	1.02	0.99	0.93	0.00	0.14	0.36	0.57
91.75	0.89	0.83	0.79	0.79	0.01	0.20	0.45	0.68

Estimated volume total, Calls 110 Puts 72
Previous day's open int: Calls 595 Puts 830

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	119-04	119-25	118-26	120-09
Jun	119-00	-	-	120-05

Estimated Volume 34972 (27751) Previous day's open int. 23736 (23626)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	95.13	95.23	95.10	96.05
Jun	-	-	-	-

Estimated Volume 199 (399)
Previous day's open int. 2120 (2275)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	108.12	108.20	108.08	108.29
Jun	107.64	-	-	107.50

Estimated Volume 299 (431)
Previous day's open int. 604 (595)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	90.97	91.11	90.90	91.14
Jun	90.78	90.91	90.71	90.97
Sep	90.63	90.74	90.58	90.83
Dec	90.49	90.60	90.42	90.68

Est. Vol. (inc. figs. not shown) 11057 (10102)
Previous day's open int. 29458 (27401)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	176.60	178.40	176.20	176.60
Jun	180.10	-	-	180.10

Estimated Volume 1076 (1058)
Previous day's open 8162 (7945)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Mar	92.63	92.67	92.60	92.73
Jun	92.38	92.45	92.36	92.48
Sep	92.13	92.20	92.13	92.23
Dec	91.86	91.93	91.87	91.96

Est. Vol. (inc. figs. not shown) 7439 (5795)
Previous day's open int. 27684 (27504)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	91-10	91-25	91-02	91-31
Jun	90-11	90-08	90-05	91-00

Estimated Volume 9338 (6502)
Previous day's open int. 8542 (8505)

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7745	1.7721	1.7676	1.7609	1.7483

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7625	1.7670	1.7600	1.7660
Jun	1.7545	1.7575	1.7580	1.7590
Sep	1.7466	-	1.7466	1.7526
Dec	1.7418	-	1.7418	1.7478

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.7682	-	-	1.7683
Jun	1.7612	-	-	1.7612
Sep	1.7542	1.7542	1.7542	1.7540

Estimated volume 0 (0)
Previous day's open int. 226 (226)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	91-06	92-00	91-01	91-30
Jun	90-07	91-00	90-02	91-00
Sep	89-13	89-20	89-12	90-05
Dec	88-19	88-27	88-19	89-12
Mar	87-29	88-05	87-29	88-21
Jun	-	-	-	88-00
Sep	-	-	-	87-12
Dec	-	-	-	86-25
Mar	-	-	-	86-06
Jun	-	-	-	85-20
Sep	-	-	-	85-03

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	94.07	94.12	94.06	94.13
Jun	93.82	93.88	93.82	93.88
Sep	93.58	93.64	93.57	93.64
Dec	93.29	-	-	93.35
Mar	93.07	-	-	93.11
Jun	92.89	-	-	92.93

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	0.7408	0.7429	0.7401	0.7397
Jun	-	0.7510	0.7482	0.7479
Sep	0.7570	0.7590	-	0.7557
Dec	-	-	-	0.7637

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7858	0.7874	0.7850	0.7856
Jun	0.7919	0.7932	0.7911	0.7916
Sep	-	-	-	0.7984
Dec	-	-	-	0.8054
Mar	-	-	-	0.8124

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5982	0.5999	0.5977	0.5984
Jun	0.6040	0.6055	0.6029	0.6038
Sep	0.6100	0.6118	0.6100	0.6095
Dec	-	-	-	0.6150

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	92.61	92.66	92.59	92.69
Jun	92.38	92.43	92.36	92.46
Sep	92.13	92.17	92.12	92.20
Dec	91.87	91.91	91.85	91.93
Mar	91.63	91.67	91.62	91.69
Jun	91.42	91.46	91.42	91.48
Sep	91.25	91.28	91.25	91.30
Dec	91.10	91.12	91.10	91.15

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	252.15	252.45	251.70	252.80
Jun	253.40	253.80	253.20	248.80
Sep	255.00	255.00	255.00	255.60

MONEY MARKETS

Slightly firmer

THERE WAS a slightly firmer tone to interest rates on the London money market yesterday. Three-month interbank rose to 8¾-8⅝ p.c. from 8⅝-8½ p.c., as dealers took a rather cautious view of the CBI industrial trends survey, and an early weakness of the pound.

In spite of the upward trend in rates there remains no immediate pressure for higher bank base rates, while sterling holds in its present range against the D-Mark.

Mr Nick Parsons, at Union Discount, suggested that to some extent the market may have misinterpreted the CBI

UK clearing bank base lending rate 8½ per cent from December 4

survey, and the level of business optimism, which he said was still encouraging as long as it remained a plus figure.

He added that tomorrow's UK trade figures for December will be the last, before a reclassification for customs purposes, and that judgement of the figures will then become more difficult.

The market is looking for a visible deficit of around £1bn, and a current account shortfall of £400m.

The Bank of England initially forecast a money market shortage of £100m, but this was revised to £250m at noon. Total help of £262m was provided.

Before lunch the authorities bought £100m bills outright, by way of £57m bank bills in band 1 at 8⅜ p.c., and £43m bank bills in band 4 at 8⅜ p.c.

Another £162m bills were purchased in the afternoon, through £7m Treasury bills in band 1 at 8⅜ p.c.; £131m bank bills in band 1 at 8⅜ p.c.; and £24m bank bills in band 4 at 8⅜ p.c.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £328m. This outweighed Exchequer transactions, adding £80m to liquidity, a fall in the note circulation of £75m, and bank balances above target of £60m.

In New York the Federal Reserve added reserves to the banking system with two-day system repurchase agreements, when Federal funds were trading at 6¹⁵⁄₁₆ p.c.

In Frankfurt call money was steady at 3.05 p.c., as banks appeared to be comfortably placed to meet monthly reserve requirements at the West German Bundesbank. The average daily requirement, for January, set by the central bank is DM54.4bn. Tax payments on behalf of customers contributed to a fall in banks' holdings to only DM45.4bn last Friday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.26) 3 months US dollars		6 months US Dollars	
bid 7	offer 7⅛	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	4.52	Three year	7.73
Broker loan rate	8.00	Two month	5.63	Four year	7.80
Fed.funds	6⅞	Three month	5.99	Five year	8.09
Fed.funds at intervention	6⅞	Six month	6.49	Seven year	8.32
		One year	6.84	10-year	8.52
		Two year	7.52	30-year	8.69

Jan.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.00-3.10	3.25-3.40	3.25-3.40	3.30-3.45	3.35-3.50	4.50
Paris	7½-7⅝	7½-7⅝	7⅝-7¾	8-8⅛	8¼-8⅜	7.50
Zurich	¼-½	1-1½	-	1½-1⅝	-	-
Amsterdam	3⅞-4	3⅞-4	-	4⅛-4¼	-	-
Tokyo	3.59375	3.78125	-	3.90625	-	-
Milan	10½-12½	10½-11	-	10½-11	-	-
Brussels	4.10	6⅜-6½	-	6⅜-6½	-	-
Dublin	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8⅜-8½	8⅝-9	-

LONDON MONEY RATES

Jan.26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8¼	8⅜	8⅝	8⅞	9	9⅛
Interbank Bid	5	8¼	8½	8¾	8⅞	9
Sterling CDs	-	-	8	8⅝	8¾	8⅞
Local Authority Deps.	8	8	8½	8¾	8⅞	9
Local Authority Bonds	-	-	8⅝	8⅞	9	9⅛
Discount Mkt Deps.	8¼	8	-	-	-	-
Company Deposits	8	8¼	8½	8⅞	9	9⅛
Finance House Deposits	-	-	8⅝	8⅞	9	9⅛
Treasury Bills (Buy)	-	-	8⅜	8⅜	-	-
Bank Bills (Buy)	-	-	8⅜	8⅜	8⅝	-
Fine Trade Bills (Buy)	-	-	8⅞	8⅞	9	-
Dollar CDs	-	-	6.90-6.85	7.00-6.95	7.15-7.10	7.60-7.55
SDR Linked Dep Offer	-	-	5⅞	6	6⅛	6¼
SDR Linked Dep Bid	-	-	5⅝	5¾	5⅞	6
ECU Linked Dep Offer	-	-	5⅞	6⅛	6⅛	6¼
ECU Linked Dep Bid	-	-	5¾	5⅞	6	6⅛

Treasury Bills (sell); one-month 8⅛ per cent; three months 8⅛ per cent; Bank Bills (sell); one-month 8⅜ per cent; three months 8⅜ per cent; Treasury Bills; Average tender rate of discount 8.3005 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1987. Agreed rates for period January 26 1988 to February 25, 1988, Scheme I: 10.05 p.c., Schemes II & III: 10.09 p.c. Reference rate for period December 1 1987 to December 31, 1987, Scheme IV: 8.830 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.00 from January 1, 1988; Bank Deposit Rates for sums at seven days notice 3.00-3.50 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.50 per cent; one-three months 8.25 per cent; three-six months 8.50 per cent; six-nine months 8.75 per cent; nine-twelve months 8.75 per cent; Under £100,000 7½ per cent from Jan.25,1988 Deposits withdrawn for cash 5.00 per cent.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 460	87	16	5	31	-	-	$ 470.50
GOLD C	$ 480	161	5.50	37	20	-	-	$ 470.50
GOLD C	$ 500	10	1.90	42	10	6	20 A	$ 470.50
GOLD C	$ 520	7	0.90	32	7	3	15	$ 470.50
GOLD C	$ 540	-	-	-	-	23	10	$ 470.50
GOLD P	$ 420	100	0.50	260	3	10	6	$ 470.50
GOLD P	$ 440	37	1.50	13	6	4	7.50	$ 470.50
GOLD P	$ 460	70	4 A	18	10	60	13.50	$ 470.50
GOLD P	$ 480	9	12.50 A	20	18	3	22	$ 470.50
GOLD P	$ 500	5	30	204	32	200	33 A	$ 470.50
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$ 800	-	-	-	-	6	40	$ 663
SILVER P	$ 650	-	-	6	50	-	-	$ 663
		Feb. 88		Mch. 88		Apr. 88		
EOE Index C	FL 165	75	12	-	-	-	-	FL 174.83
EOE Index C	FL 170	5	8.50	-	-	-	-	FL 174.83
EOE Index C	FL 175	39	5.20 A	19	8.30	-	-	FL 174.83
EOE Index C	FL 180	113	3.20	1	6.80	10	9	FL 174.83
EOE Index C	FL 185	471	2 A	51	4.50	8	6.50	FL 174.83
EOE Index P	FL 165	54	2	19	4.20	2	6.50	FL 174.83
EOE Index P	FL 170	47	3.50	32	6.20	10	7.60 B	FL 174.83
EOE Index P	FL 175	57	5.60	18	8.50 B	-	-	FL 174.83
S/FI C	FL 185	12	4.50	3	4.90 B	-	-	FL 188.50
S/FI C	FL 190	14	1.50	7	2.40 B	-	-	FL 188.50
S/FI C	FL 195	500	0.40	-	-	-	-	FL 188.50
S/FI P	FL 180	44	0.65	-	-	-	-	FL 188.50
S/FI P	FL 185	25	1.50	7	2.80	-	-	FL 188.50
		Apr. 88		Jul. 88		Oct. 88		
ABN C	FL 46	115	0.40	-	-	-	-	FL 36.80
ABN P	FL 35	71	1.20	3	2	34	3.70	FL 36.80
AEGON C	FL 50	-	-	2	11	11	11.40	FL 59.30
AHOLD C	FL 80	200	1.20	-	-	-	-	FL 70
AHOLD P	FL 60	200	1	-	-	-	-	FL 70
AKZO C	FL 100	541	3	81	5 A	18	7.70	FL 89.30
AKZO P	FL 100	150	12.10	2	17	-	-	FL 89.30
AMEV C	FL 40	31	1.80	20	3.20	10	4.20	FL 38.50
AMEV P	FL 35	5	1.10	-	-	-	-	FL 38.50
AMRO C	FL 60	83	1.30 B	5	2.30	-	-	FL 55.90
AMRO P	FL 55	2	2	15	4	-	-	FL 55.90
ELSEVIER C	FL 45	241	2	16	4	2	5	FL 42.70
ELSEVIER P	FL 40	221	1.90	3	4.30	-	-	FL 42.70
GIST-BROC. C	FL 25	149	1.50	13	2.80	1	3	FL 24.40
GIST-BROC. P	FL 25	2	2	10	3.50	-	-	FL 24.40
HEINEKEN C	FL 120	184	8.20	3	13.50 A	1	16.50	FL 120.50
HEINEKEN P	FL 130	24	12	-	-	-	-	FL 120.50
HOOGOVENS C	FL 27.50	72	1.60 B	-	-	-	-	FL 26
HOOGOVENS P	FL 25	16	1.90	-	-	-	-	FL 26
KLM C	FL 30	204	2.20	13	3.60	8	4.10	FL 29.40
KLM P	FL 27.50	48	1.50	3	2.50	13	3.60	FL 29.40
NEDLLOYD C	FL 180	236	15	10	18.50	30	24.50	FL 173
NEDLLOYD P	FL 170	2	14	112	20 A	-	-	FL 173
NAT.NED. C	FL 55	39	0.90	2	1.80	-	-	FL 47.60
NAT.NED. P	FL 65	10	18	-	-	-	-	FL 47.60
PHILIPS C	FL 27.50	314	0.90	50	1.50	43	2.40	FL 24.80
PHILIPS P	FL 25	120	2.20	5	3	22	3.70	FL 24.80
ROYAL DUTCH C	FL 220	214	4.10	39	6.50	603	11	FL 207
ROYAL DUTCH P	FL 210	210	9.50	21	16.50	-	-	FL 207
ROBECO C	FL 95	-	-	48	2	-	-	FL 83.60
ROBECO P	FL 80	15	3	-	-	-	-	FL 83.60
UNILEVER C	FL 120	249	2.60	87	5.10	-	-	FL 107.70
UNILEVER P	FL 100	757	2.80	24	5.50 B	2	8	FL 107.70

TOTAL VOLUME IN CONTRACTS : 17,001

A=Ask B=Bid C=Call P=Put

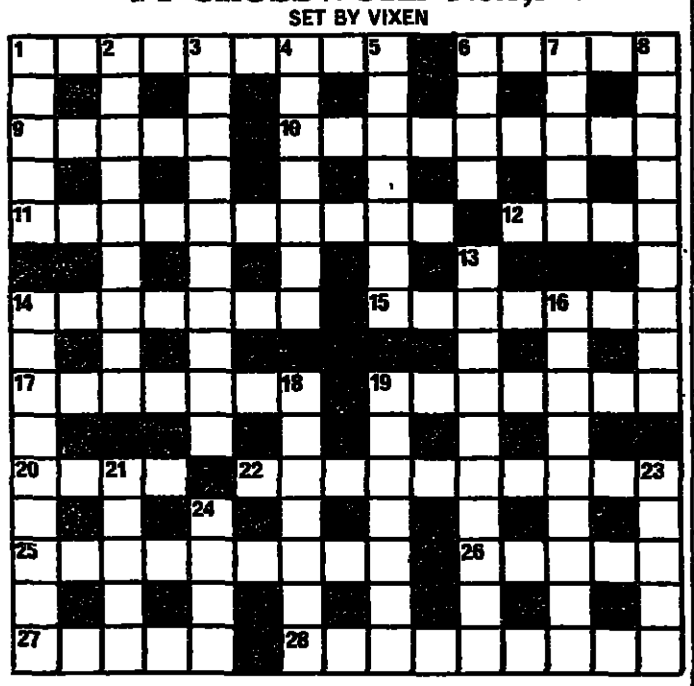
BASE LENDING RATES

	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	Norwich Gen. Trust	8½
American Exp.Bk	8½	Consolidated Cred	8½	PK Finans. Intl(UK)	9
Amro Bank	8½	Co-operative Bank	*8½	Provincial Trust Ltd	9½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	R. Raphael & Sons	8½
ANZ Banking Group	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	9½
Associates Cap Corp	10	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Authority Bank	8½	Equatorial Bank plc	8½	Royal Trust Bank	8½
B & C Merchant Bank	8½	Exeter Trust Ltd	9	Smith & Williamson Secs.	8½
Banco de Bilbao	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Bank Hapoalim	8½	First Nat. Sec. Ltd	9½	TSB	8½
Bank Leumi (UK)	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	¶10.2
Bank Credit & Comm	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank of Cyprus	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Ireland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of India	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of Scotland	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Banque Belge Ltd	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Barclays Bank	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Benchmark Bank PLC	8½	● Hill Samuel	§8½		
Berliner Bank AG	8½	C. Hoare & Co.	†8½		
Brit Bk of Mid East	8½	Hongkong & Shangh	8½		
● Brown Shipley	8½	Lloyds Bank	8½		
Business Mtge Tst	8½	Meghraj Bank Ltd	8½		
CL Bank Nederland	8½	Midland Bank	8½		
Central Capital	8½	● Morgan Grenfell	8½		
● Charterhouse Bank	8½	Mount Banking Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Sareweise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,540

SET BY VIXEN



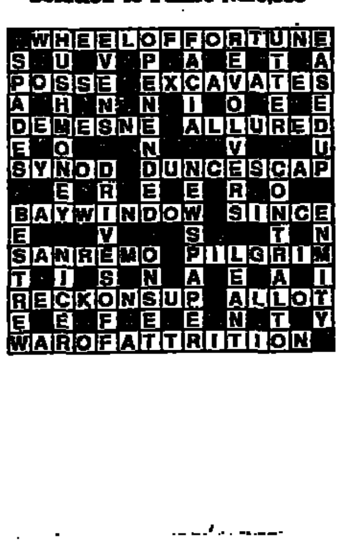
ACROSS

1 Run-of-the-mill quality testers in error (9)
6 Beast making a girl exercise back (5)
9 Moved stuff around the establishment (5)
10 Anti-hunt meeting (9)
11 Get near-fanciful in a letter? Rot! (10)
12 Some strikers like picketing in military gear (4)
14 "He would not flatter Neptune for his ....." (Coriolanus) (7)
15 Concerned with children getting put out again (7)
17 Register dissatisfaction and annoyance about corruption (7)
19 Herb beer price (7)
20 To do some of the office work would be kind (4)
22 It's dull when there's no alcoholic drink (10)
25 Being aloof, she'd made up a story not to be believed (9)
26 Flora's bovine insolence (2-3)
27 *The interval - magic words!* (5)
28 Certain to get into step, so highly thought of (9)

DOWN

1 Edward will receive a Greek character, though with little warmth (5)
2 Got coin in variety under an assumed name (9)
3 Finish up very annoyed when compromised (10)
4 Put right inside but it's been taken out (7)
5 A politician finds his constituents aren't so bad (7)
6 Pack in strong boxes to withstand rough handling (4)
7 English soldiers turned back, and that's strange (5)
8 The top man tried pens out (9)
13 Profligate giving a promise to pay in fifty-one cents (10)
14 Court officials provide gifts for employees (9)
16 When a digger appears, duck! (9)
18 Having to mail about a thousand, which is the maximum (7)
19 Cut – but only for a span (7)
21 It beats beans! (5)
23 Spoke about small change being agreeable (5)
24 Treat softwood (4)

Solution to Puzzle No.6,539



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	27.4	29.2	+0.8	–
Do. Income	27.2	29.0	+0.8	0.79
Scimitar European Acc	20.2	21.5	+0.1	–
Do. Income	20.2	21.5xd	+0.2	0.11
Scimitar UK Eq Inc Acc	35.7	37.6	–	–
Do. Income	34.2	36.0	–	5.44
UK Cap Gth Acc	22.8	24.0	+0.3	0.75
Scimitar Pac Basin Acc	26.6	28.4	+0.9	–
Scimitar Mangd Exempt*	136.8	142.3xd	–0.3	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intl Income Units	121.4	129.2	–4.6	3.44
Intl Accum Units	185.7	197.6	–7.2	3.44
UK Growth Acc	37.1	39.7	+0.3	3.58
UK Growth Inc	35.7	38.2	+0.3	3.58
American	26.0	27.8	+0.7	2.13
European	32.9	35.2xd	–0.1	1.26
Japan	54.2	58.0	+0.9	0.03
Technology	33.6	35.9	+0.6	2.29
Performance Trusts				
Far East Perf Tst	17.2	18.4	+0.1	2.00
High Inc Perf Tst Inc	23.5	25.1	–	5.36
High Inc Perf Tst Acc	23.9	25.6	–	5.36
Worldwide Tact Perf Tst	26.8	28.7	–	2.21

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Britain (UK Equity)	204.6	218.9	+1.4	2.75
Columbus (America)	124.0	132.7	+1.8	1.50
Marco Polo (Pacific)	203.7	217.9	+2.5	0.35
Da Vinci (European)	205.7	227.9	+0.4	1.93
Drake (Worldwide)	50.0	53.5	+0.3	2.75

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	371.5	391.2	—	-
Eb'r Ph. Eq.	334.1	356.5	—	-
Pension Plus Funds				
Phoenix				
UK Equity Acc.	160.4	168.8	+1.1	-
International Acc.	122.8	129.2	+2.4	-
Property Acc.	122.0	128.4	—	-
Fixed Interest Acc.	150.6	158.5	-0.7	-
Money Acc.	135.5	142.6	+0.1	-
Bldg. Soc. Link Acc.	132.5	139.4	—	-
Special Magd. Acc.	142.3	149.7	+0.8	-
Phoenix/Framlington				
Intnl. Growth Acc.	80.7	84.9	+0.7	-
Amer. & Gen. Acc.	74.1	77.9	+0.8	-
Capital Tst. Acc.	171.5	180.5	+0.5	-
Japan & Gen Acc.	169.1	178.0	+3.2	-
American Turn. Acc.	74.0	77.8	+1.1	-
Recovery Tst. Acc.	160.2	168.6	+1.0	-
Special Magd Acc.	135.5	142.6	+0.8	-
Phoenix/GT				
International Acc.	120.0	126.3	+1.2	-
US & General Acc.	86.4	90.9	+1.9	-
Amer Spec Sits Acc.	59.2	62.3	+0.9	-
Japan & General Acc.	161.7	170.2	+2.0	-
Far East & Gen. Acc.	133.0	139.9	+2.7	-
UK Capital Acc.	165.6	174.3	—	-
Eurotech Acc.	128.0	134.7	+1.5	-
Special Magd. Acc.	120.2	126.5	+0.7	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.7	276.6	—	-
New Pens Inc & Cap Fd.	337.0	354.8	—	-
Money Fund	110.9	116.8	—	-
Pens. Magd Fd (Init)	84.3	88.8	—	-
Pens Magd Fd (Acc)	94.1	99.1	—	-
Pens FT30 Fd (Init)	127.5	134.3	—	-
Pens FT30 Fd (Acc)	142.3	149.8	—	-
Pens O'seas MgFd(Init)	51.8	54.6	—	-
Pens O'seas MgFd(Acc)	57.8	60.9	—	-
Pens Fxd Int Fd (Init)	105.8	111.4	—	-

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¼	99⅝	Exch 10½pc '88	100⅜	-⅛	10.45	8.56
101⅜	98⅝	Treas 9¾pc Cv '88	100⅛		9.72	8.76
98⅜	93⅞	Transport 3pc '78–88	98⅛		3.04	6.45
101⅝	98⅛	Treas. 9½pc '88	100⅛	-⅛	9.47	8.98
105⅜	101⅛	Treas 11½pc 1989	102⅜xd	-⅛	11.22	9.05
102⅜	97⅜	Treas 9½pc Cnv 1989	100½	-⅛	9.45	9.02
96½	89¾	Treas 3pc 1989	95⅛	-⅛	3.13	6.46
104¾	99⅝	Treas 10½pc 1989	102⅛	-⅛	10.32	9.12
103¼	98½	Exch 10pc 1989	101⅛xd	-⅛	9.88	9.13
105⅝	100⅞	Exch 11pc 1989	102⅜	-⅛	10.71	9.18
96½	89⅞	Treas 5pc 1986–89	95¼		5.22	7.58
106⅜	99⅝	Exch 10½pcCv '89	103½	-⅛	9.95	8.35
111⅜	104⅜	Treas 13pc 1990‡‡	106⅜	-¼	12.17	9.14
106½	100⅜	Exch 11pc 1990‡‡	103¼xd	-¼	10.64	9.16
110¼	103⅜	Exch. 12½pc 1990	106⅛	-⅛	11.77	9.24
92⅜	84½	Treas. 3pc 1990	91⅜	-⅛	3.27	7.04
100⅜	93⅜	Treas 8¼pc 1987–90‡‡	98⅝	-⅛	8.36	8.86
52⅜	50	Tr. 8pc Cv 1990 (50pd)	52⅛		8.16	8.90
105	97½	Treas. 10pcCv 1990	101⅞	-⅛	9.83	9.24
91⅜	81⅞	Exch 2½pc 1990	89⅛	-⅛	2.81	6.80
110¼	102⅝	Treas 11¾pc 1991	106¼	-⅛	11.05	9.23
95¼	87¼	Funding 5¾pc '87–91‡‡	93⅛	-⅛	6.18	8.26
90¼	80¼	Treas. 3pc 1991	88⅛	-⅛	3.39	7.01
110⅝	98½	Treas 10pc Cv '91 ‡‡	103⅛	-⅛	9.68	8.88
109⅝	101⅛	Exch. 11pc 1991	105⅜	-⅛	10.44	9.25
99	91⅛	Treas. 8pc 1991	96⅛	-½	8.32	9.18
116⅜	107⅛	Treas 12¾pc 1992‡‡	111⅛	-⅛	11.46	9.30
106⅜	97⅜	Treas 10pc 1992	102⅜xd	-⅛	9.78	9.25
99½	90⅜	Treas. 8pc 1992 ‡‡	95⅜	-⅛	8.35	9.20
108⅜	99½	Treas 10½pc Cv 1992‡‡	104⅛	-⅛	10.08	9.28
86½	79⅛	Treas. 3pc 1992	84⅜	-⅛	3.56	7.22
115⅜	105⅜	Exch. 12¼pc '92	110½xd	-⅛	11.07	9.34
121⅜	110⅜	Exch 13½pc 1992	115	-⅛	11.73	9.39

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index–Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	23¾		$1.16	–	2.7
16¾	8¾	Rockwell Intl. $1	9½	+¼	66c	–	3.8
30¾	16¼	Sara Lee $1(1/3)	20⅞xd	+⅜	$1.00	–	2.7
11¾	8¾	Saul (B. F.) $1	10¼	+1¼	20c	–	1.1
27¾	21¼	Southwestern Bell $1	20⅞	+⅝	$2.32	–	6.1
22¼	994p	Staley Continental	11¾	+¼	80c	–	3.7
44¾	21¾	Sun Co. Inc. $1	29⅝	+1½	$3.00	–	5.6
42¼	22¼	TRW Inc. $0.625	27¾	+⅜	$1.60	–	3.2
37¾	21	Tenneco $5	22⅞xd	+1	$3.04	–	7.3
220	149½	Do. 10pcLn.Stk. 91–5	155		10%	–	f4.7
29¾	15¾	Texaco $6.25	21¼		$3.00	–	7.7
74¾	36¾	Time Inc. $1	47⅜	+⅜	$1.00	–	1.2
30¾	15	Transamerica $1	18¾	+¼	$1.84	–	5.5
14¾	1¼	Transworld Corp $5	790p	+10	20c	–	1.4
27¾	12¾	TRINOVA Corp	16⅝	+⅜	56c	–	1.8
24¾	12⅞	USX $1	18	+⅜	$1.20	–	3.7
37¾	16¾	Utd. Technologies	20⅜	+⅜	$1.40	–	3.7
38¾	25⅜	US West	29¼	+⅜	$3.28	–	6.1
30¾	17¼	Waste Management $1	19⅞	+⅜	36c	–	1.0
31¾	11⅝	Whirlpool $1.0	14⅞	+⅜	–	–	–
37⅞	16½	Woolworth $3½	21⅝	+1¼	$1.32	–	3.3

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	268p	–10	–	–	–
26¾p	10p	Abbas Energy Corp	17½p		–	–	–
18¼	506p	Amer. Barrick Res.	10⅝	–½	–	–	–
141p	4p	American Lightwave	4½p		–	–	–
122p	33p	Armenc	42p	+½	–	–	–
117p	39½p	Augmitto Explo.	66p	+2	–	–	–
19¾	10¾	Bk. Montreal	11⅝	+⅛	$2.00	–	7.6
10½	488p	Bk. Nova Scot.	558p	–8	72c	–	5.7
20⅝	15	BCE	16¼	+¼	$2.40	–	6.5
10¾	511p	Bow Valley	647p	–2	40c	–	2.7
20	10¾	Brascan	10¾	+⅛	88c	–	3.6
609p	186p	Breakwater Res.	190p	–6	10c	–	2.2
11¾	734p	Can.Imp.Bk. $2	846p	–6	$1.00	–	5.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Account Dealing Dates			
First Dealings	Option Declarations	Last Dealings	Account Day
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15
Feb 8	Feb 18	Feb 19	Feb 29

*New time dealings may take place from 8.00 am two business days earlier.

CBI report knocks the wind out of Gilt-edged as shares firm in thin trade

THE LATEST survey of business opinion by the Confederation of British Industry, which proved considerably more bullish than the City expected, upset the Government bond market yesterday without bringing any lasting improvement in equities. Attention in both sectors is now concentrated even more closely on the prospects for the UK December trade figures, due just before lunch tomorrow.

The CBI report, with its indication of record order books and strongly growing output, was received with "modest sighs of relief" in equities and prices jumped smartly, adding six points to an early gain in the FT-SE 100 Index. But turnover remained very disappointing and gains were soon trimmed back as Wall Street turned down in early trading.

The FT-SE 100 Index closed a *net 5.1 points up at 1767.3.* Trading levels were again pitifully thin, with the mid-session total lagging behind that of Christmas Eve, when the City shut down at 1.00pm. However, by yesterday's close, Seaq had traded 396.6m shares, just a shade better than on Monday.

Equities looked subdued at the end of the day when the market was poised for a further statement on losses in traded options by a leading market firm. Most of the interest focussed on the oil share sector, as the City weighed the outlook for BP's £2.5bn bid for Britoil, as well as the other speculative situations thrown up by the struggle for control of Britoil's North Sea reserves.

Retail and financial issues were firmer, helped by the latest indication of a still-buoyant domestic economy. However, the lack of investor support remained the market's chief talking point.

Some analysts commented that there were signs in the CBI survey of a deterioration in Britain's export performance which, together with yesterday's weakening in the pound, raised worries over the outlook for the trade balance. However, *estimates for Thursday's trade* figures were left unchanged, with the City expecting a current account deficit of £400m to £500m.

The business survey was bad news for Gilts, which had already opened lower in response to a fall in US bonds and a profit-taking run on the back of the recent advance by the market. Losses of ½ were quickly extended to nearly 1½, with the mood upset further by US statistics on durable goods sales, which were stronger than expected.

Long-dated bonds, which again saw most of the action, closed with losses ranging to a full point. Retail pressure was modest but Mr Nigel Richardson, at Warburg Securities, pointed out that the CBI report "completely failed to confirm" the trend of recent data on the UK economy, which had suggested slackening growth.

Yields at the long end closed around 9.5 per cent last night but were as high as ten per cent just before the auction of £1bn medium-dated Government stock, which turned out such a misfortune for the market. While little further change is likely in the market's yield structure until the December trade figures are out of the way, long-dated yields could come under renewed upward pressure if the economy proves as buoyant as the CBI report indicates.

Demand for Index-linked stocks continued, and the remainder of the £50m of 2½ pc Treasury '03 tranchette was *quickly taken out by the market*, leaving the sector untapped once again. The CBI report was encouraging for the IL stocks, and losses in this sector were minimal yesterday as the longer-dated IL issues reverted to their role of inflation-hedge securities.

Britoil shares were heavily traded (6.9m) but slipped yet further away from the 500p paid by British Petroleum for Atlantic Richfield's 24 per cent stake. At 471p, Britoil were finally 8 lower, apparently reflecting City belief that the latest BP offer will prove the winner, with the UK takeover authorities perhaps delaying the bid but not stopping it.

Traders noted that Salomon Bros, the US house which has been acting in the marketplace for Atlantic Richfield, was aggressively buying Britoil *shares yesterday. Some sources* wondered if Atlantic, with its acceptance of the BP terms not irrevocable, could be increasing its Britoil stake with a view to a successful arbitrage operation.

British Gas eased to 137p with the market less inclined to view the group as a possible white knight *for Britoil.* At 74p, **British Petroleum** "new" shares were slightly cheaper on turnover of 4.4m, while the "old" eased 1½ to 257½p with 2.8m traded.

Birmid Qualcast seemed closer to falling into the hands of Blue Circle Industries (BCI), its *unwelcome* suitor, as the latter moved in with a final offer of 380p per share cash, compared with the original 300p cash. The revised terms also contain a loan note rate alternative and BCI reserves the right to add a share alternative at no higher than 380p per share.

Birmid shares, already standing well above BCI's first offer, surged ahead in a volume of some 18m shares to close 18 higher at 369p, as City commentators leaned to the view that BCI's new terms may win the day.

Grand Metropolitan shares made little response to confirmation that the Martell family had switched sides and now backs Grand Met's £457m offer for the French cognac house, against the lower bid from Seagram, the Canadian drinks major. At 447p, Grand Met shares closed a shade easier on the day.

The UK hotel group already controls just short of 20 per cent of Martell but there is still room for Seagram, which has 14 per cent of Martell, to come back with a higher bid. Under French takeover rules, Seagram must top Grand Met's latest offer by *at least* 5 per cent.

Racal Electronics suffered as sellers leaned heavily on the shares after announcement of the interim statement. Group profits of £43.3m were fully up to market estimates, and some 72 per cent higher than the corresponding period last year. But the effects were negated by the warning that the full-year result, although very good, will not match best expectations.

Chase Manhattan analyst, Brian Newman, has been advising a switch from Racal to Plessey for some time. He said yesterday, the shares still look expensive relative to others leaders such as British Telecom, GEC and Plessey. Racal was one of the two most actively traded stocks with volume totalling 11m shares. The price after falling to 211p, closed 16 down at 215p.

London and Manchester, 9 up at 278p on revived bid speculation, *led the Life Insurance* sector higher. **Abbey Life**, favoured by BZW following an investment seminar, touched 268p at one stage prior to closing 10 higher at 262p. Among Lloyds brokers, **Sedgwick** were actively traded with some 3.7m shares changing hands; business reportedly included a broker/ agency cross of 1m shares at the 231p level and the close was 6 lower at 227p. **FWS** firmed 6 to 203p on details of the acquisition of a GNA, a US insurance broking outfit.

Kitchen sink manufacturer *Carron Phoenix staged* a highly successful debut in the Unlisted Securities Market, the shares reaching 138p compared with a placing price of 120p.

With more analysts taking a negative short-term stance on the sector, Breweries continued to mark time. Wood Mackenzie says in its latest review "the twin threat of a punitive budget and the MMC report overhangs sentiment". Volume declined further in **Guinness**, now that the group is unable to buy in its own shares until announcement of the 1987 results. Less than 1m shares were traded and the price remained at 288p. County NatWest Securities, which incorporates Wood Mackenzie, advise however that any further weakness in Guinness shares should be used as an excellent buying opportunity.

BPB Industries were the one leading Building issue to attract sustained buying interest, mainly from one source, and the price responded with a gain of 16 at 265p. **Costain** hardened *a couple of pence to 281p* following reports that Trafalgar House had increased its holding to 5.75 per cent. **Wimpey** gained 6 to 254p on revived bid speculation and **Taylor Woodrow** picked up 11 at 381p. **Robert M. Douglas**, half-year figures due on Friday, moved up 7 to 272p; clients of *John Govett have increased* their holdings to 19.34 per cent of the equity.

ICI were unchanged at £10¾ on a turnover of 1.6m shares. Elsewhere in the Chemical sector, **Coates Brothers A** shares continued to bound ahead in the wake of the recent purchase of Lorilleux International, a French ink producer and the close was 19 higher at 352p. **Laporte** hardened 4 to 396p.

Leading Store shares were inclined harder in extremely quiet trading conditions. Dealers, however, reported occasional support for Mail Orders with **Empire** closing 3 firmer at 231p and **GUS A** 22½ dearer at 1110p. **Underwoods**, a strong market in the previous trading session on Woolworth bid rumours, fell away to 125p following an official denial from the company of any bid approaches but rallied strongly to close only a penny lower *135p.* **Woolworth** *regained 8 to* 273p. **Tibbet and Britten**, reflecting news of the contract with Woolworth to manage the latters distribution centres at Radlett and Warrington, advanced 15 to 255p.

Switching from **Racal** underpinned other sector leaders but the business was generally moderate. **British Telecom** improved to 232p while **GEC** settled unchanged at 160p after fluctuating narrowly either way.

Ferranti, 86p, drifted a shade easier awaiting today's interim statement.

Rolls-Royce were actively traded (some 11m shares went through the system yesterday) and closed 4 firmer at 141p as the company announced that excess foreign holdings had been reduced to around 15m shares. Further sales by overseas holders were believed to have taken place yesterday. Elsewhere in the Engineering sector, **GKN**, reflecting demand from a leading Midlands broker which found the market none too well supplied with stock, surged ahead to close 13 dearer at 314p.

Once again, interest in the major internationals was at an extremely low level and final movements on the day were limited to a few pence either way. **Blue Arrow**, unsettled in the previous trading session on the *surprise* announcement of the resignation of the managing director, Mr Christopher Castleman, revived with a gain of 4 at 97p in a volume of 10m shares as the company announced pre-tax profits for the year of £29m compared with analysts forecasts of around £24m.

De La Rue, a recent bid favourite, surged ahead to close 17 higher at 414p while **DSC**, reflecting the news that MM had acquired a stake of just over 15 per cent in the company and the appointment of Lord Stevens as chairman, advanced 19 to 98p. **Press Tools** closed 15 to the good at 335p after the half-year figures, proposed acquisition and rights issue to raise £2m. **BET** firmed 4 to 238p in the wake of the company's announcement that it is launching a top-rate Eurodollar commercial paper (cp) programme and increasing the size of its sterling and US dollar cp programmes. **BAA**, *one of the more actively traded* stocks (some 8.2m shares changed hands) closed 6 dearer at 109p. **GRA** continued to attract buyers on speculation of a possible bid for the group from either one of Mr Robert Maxwell's companies or Brent Walker. GRA closed 8 up at 117p; a sizeable block of GRA shares were traded last week around the 80p per share level and are thought to have gone to one source.

Leading sales promotion group **KLP** made a more marked response to the record profits, which were well received by the financial press, and closed 17 up at 277p. Advertising agency **Boase Massimi Pollitt** were supported belatedly following a securities house recommendation, gaining 7 to 266p, but there were few other developments in the sector. Impressive first-half profits results coupled with an optimistic statement on the full-year result lifted **Martin Sheldon** to 54p while comment that the interim figures, due next month, could make good reading helped **Goodhead Print** rise 4 to 180p.

Leading Properties traded firmly helped by a bullish review of the sector by Warburg Securities. The review, which included several specific recommendations, also gave a mild boost to turnover. **Land Securities** rose 5 to 479p while **Hammerson A** attracted renewed speculative support at 542p, up 19, and **Rosehaugh** moved up 23 to 598p. Elsewhere, **Laing Properties** revived strongly and rose 13 to 399p, while **Brush and Tompkins** put on 15 to 240p in reply to the good annual results. **Marlin Ford** firmed 5 to 92p following a broker's recommendation. Dealings in **Westminster and Country Properties** resumed following the decision not to proceed with the acquisition of Residential Holdings. WCP dipped to 125p at one point prior to closing at 145p which compares with a suspension price of 150p.

BAT Industries furthered the recovery as small buying found marketmakers reluctant to take up trading positions and attempt to maintain level books after last week's price volatility. Resumed US enquiries made an impact late, helping the shares rise 8 more to 436p, but turnover for the session amounted to only 1.3m.

Lonrho came under pressure as nervousness crept in ahead of tomorrow's annual results. A newspaper commented that the group could unveil profits of £200m plus but most analysts forecasts fall within the slightly lower range of £190m to £200m. Trading briskly throughout – some 5.2m shares changed hands – Lonrho settled 9½ down on the day at 252½p.

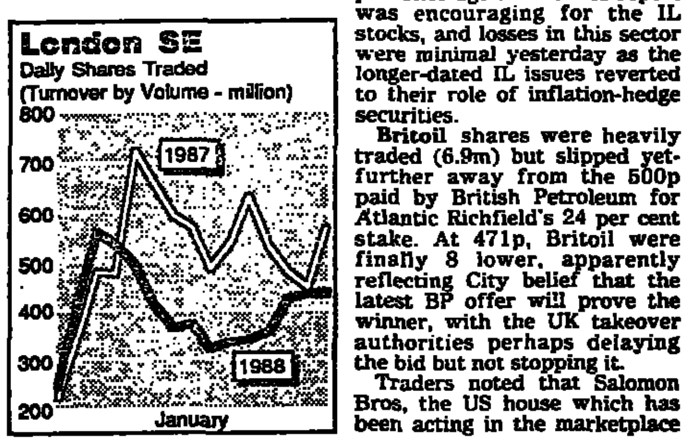
Traded option business expanded yesterday with contracts totalling 24,975, comprising 16,149 calls and 8,826 puts. **Racal** were active in the wake of the interim figures and attracted 2,024 calls - 1,072 in the February 220's - and 2,826 puts. **Rolls-Royce** registered 1,957 calls and **Marks and Spencer** 1,850. The **FTSE** contract attracted 874 calls and 1,977 puts.

Traditional Options

- First dealings Jan 18
- Last dealings Jan 29
- Last declarations Apr 21
- For Settlement May 3

For rate indications see end of London Share Service

Interest revived in the Traditional option market. Stocks to attract money for the call included **Epicure Holdings, Eagle Trust, Platignum, Amalgamated Finance, Acorn Securities, Vickers, Equity and General, Blue Arrow, Ossory Estates** and **Charterhall**. Puts were arranged in **Pearson, Magnet, Blue Arrow** and **Geo. Wimpey**, but no double options were reported.



FINANCIAL TIMES STOCK INDICES

	Jan. 26	Jan. 25	Jan. 22	Jan. 21	Jan. 20	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.94	89.39	88.69	88.59	88.35	85.57	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.27	95.46	94.70	94.73	94.51	91.35	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1418.0	1414.0	1421.0	1404.0	1409.2	1441.6	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	265.7	279.1	279.9	279.9	281.3	322.9	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.42	4.43	4.40	4.45	4.43	3.96				
Earnings Yld. % (full)	11.16	11.19	11.02	11.16	11.11	9.30				
P/E Ratio (net) (*)	10.96	10.92	11.12	10.98	11.03	13.18				
SEAQ Bargains (5pm)	23,534	22,950	28,744	25,150	23,393	36,800				
Equity Turnover (£m)	-	727.07	1036.41	1140.10	863.65	1254.59				
Equity Bargains	-	24,392	31,202	26,919	25,455	47,014				
Shares Traded (ml)	-	307.5	470.1	426.1	421.3	525.7				

S.E ACTIVITY

Indices	Jan.25	Jan.22
Gilt Edged Bargains	140.9	124.1
Equity Bargains	158.0	202.2
Equity Value	1469.6	2094.8
5-Day average		
Gilt Edged Bargains	124.4	123.9
Equity Bargains	174.3	183.7
Equity Value	1997.7	2064.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1416.8	1417.0	1417.2	1421.6	1423.1	1423.9	1421.3	1418.6

Day's High 1423.9 Day's low 1416.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S.E Activity 1974, * Nil=10.86.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (2).
FOREIGN BONDS (1) Hungary '24 Assented, HOTELS (1) Savoy "A".

NEW LOWS (10).
BANKS (1) Bayer AG, TEXTILES (1) Com-Mora, MINES (8) Durban Deep, Con's Modderfontein, Grootvlei, Kinross, Western Areas, Western Deep, Harmony, St. Helena.

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday January 26 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Jan 25 Index No.	Fri Jan 22 Index No.	Thu Jan 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	742.72	+0.2	9.78	3.90	12.92	1.05	741.25	742.84	732.18	769.79
2 Building Materials (30)	938.84	+0.6	10.08	3.83	12.43	0.43	974.64	978.82	966.36	925.73
3 Contracting, Construction (34)	1463.19	+0.8	9.17	3.40	14.47	0.38	1482.87	1485.48	1436.38	1311.07
4 Electricals (12)	2044.35	+0.5	9.12	4.73	14.20	0.00	2035.86	2043.40	2038.65	1931.17
5 Electronics (32)	1511.27	-0.6	10.68	3.44	12.21	0.09	1520.81	1517.79	1498.53	1756.17
6 Mechanical Engineering (57)	389.24	+0.3	9.59	4.28	13.15	0.19	387.97	387.59	379.82	437.18
8 Metals and Metal Forming (7)	436.64	+0.5	9.81	3.82	12.29	0.00	441.83	444.63	443.92	399.65
9 Motors (13)	276.30	+1.2	10.97	4.21	10.61	0.00	272.96	276.28	271.62	308.21
10 Other Industrial Materials (24)	1255.69	-	8.30	4.14	14.31	2.67	1256.24	1268.72	1238.45	1291.49
21 CONSUMER GROUP (184)	1039.75	+0.4	8.53	3.52	14.95	0.42	1036.41	1041.81	1029.43	1054.17
22 Brewers and Distillers (21)	981.03	-	11.32	4.02	11.21	0.02	981.34	983.65	975.79	976.88
25 Food Manufacturing (23)	855.13	-	8.94	3.77	14.46	1.06	855.86	856.39	843.55	790.75
26 Food Retailing (16)	2988.56	+0.5	7.71	2.94	17.22	4.19	2977.77	2978.13	2964.91	2965.58
27 Health and Household Products (10)	1775.13	+0.3	6.61	2.53	18.04	0.03	1769.56	1781.56	1747.71	1893.68
29 Leisure (31)	1188.13	+0.8	7.71	3.97	16.17	0.00	1178.43	1180.75	1171.69	1113.72
31 Packaging & Paper (16)	496.80	+0.4	8.13	3.70	15.24	0.00	494.89	495.87	494.44	514.52
32 Publishing & Printing (16)	3421.23	+0.5	6.51	4.32	19.42	4.11	3405.12	3408.40	3398.84	3177.22
34 Stores (34)	847.43	+0.8	8.96	3.62	14.97	0.25	840.48	854.56	845.22	875.83
35 Textiles (17)	593.65	+0.7	11.05	3.95	10.44	0.00	589.71	595.40	585.06	630.12
40 OTHER GROUPS (92)	865.73	+0.6	10.59	4.26	11.79	0.27	860.44	865.32	853.43	877.98
41 Agencies (19)	1096.43	+0.6	6.43	2.22	19.34	0.61	1090.12	1104.79	1091.57	1220.58
42 Chemicals (20)	1056.30	-	11.32	4.43	10.59	0.00	1056.71	1065.85	1048.70	1136.74
43 Conglomerates (13)	1143.90	+0.5	10.09	4.48	11.57	0.00	1157.92	1155.22	1138.77	1158.44
45 Shipping and Transport (11)	1842.24	+0.3	9.07	4.46	14.44	0.00	1837.91	1838.49	1806.90	1719.02
47 Telephone Networks (2)	933.19	+1.2	11.79	4.43	11.29	0.00	922.17	926.52	905.85	881.37
48 Miscellaneous (27)	1152.42	+1.3	13.08	4.11	9.31	0.16	1141.77	1133.18	1123.47	1250.21
49 INDUSTRIAL GROUP (485)	925.73	+0.4	9.39	3.82	13.42	0.76	921.60	925.92	914.44	955.34
51 Oil & Gas (15)	1761.40	-0.5	9.54	5.65	12.92	0.00	1770.58	1757.58	1772.14	1634.92
59 500 SHARE INDEX (500)	994.86	+0.3	9.42	4.09	13.35	0.70	991.87	996.42	982.90	994.49
61 FINANCIAL GROUP (124)	660.25	+0.5	-	4.77	-	0.21	657.09	658.52	652.48	659.03
62 Banks (8)	671.45	+0.5	19.71	5.85	6.78	0.00	668.18	672.64	664.97	658.57
65 Insurance (Life) (8)	981.61	+0.9	-	4.69	-	0.00	973.19	978.71	967.73	922.00
66 Insurance (Composite) (7)	589.35	+1.0	-	5.61	-	0.00	583.45	584.92	583.58	587.37
67 Insurance (Brokers) (8)	954.56	+0.2	11.86	4.55	10.79	0.00	952.64	958.40	942.22	1240.21
68 Merchant Banks (11)	343.74	-0.5	-	4.11	-	0.00	348.64	352.61	343.31	385.69
69 Property (52)	1028.39	+0.8	3.18	3.00	24.66	0.32	1012.83	1004.86	998.28	829.58
70 Other Financial (30)	352.61	+0.3	9.71	4.31	13.55	3.18	351.79	354.32	350.37	404.78
71 Investment Trusts (86)	942.93	+0.5	-	3.03	-	0.81	938.72	940.67	930.41	916.05
81 Mining Finance (2)	428.16	-0.6	10.82	4.06	16.41	0.00	422.57	432.89	432.22	375.53
91 Overseas Traders (8)	1002.03	-1.2	9.57	5.08	12.34	0.00	1014.81	1019.76	1017.87	849.93
99 ALL-SHARE INDEX (720)	904.39	+0.3	-	4.17	-	0.57	901.57	905.54	894.15	904.22

	Index No.	Day's Change	Day's High	Day's Low	Jan 25	Jan 22	Jan 21	Jan 20	Jan 19	Year ago
FT-SE 100 SHARE INDEX ♦	1767.3	+5.1	1773.3	1763.6	1762.2	1778.9	1747.2	1752.8	1768.0	1814.4

FIXED INTEREST

PRICE INDICES	Tue Jan 26	Day's change %	Mon Jan 25	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	122.76	-0.23	123.03	-	0.80
2 5-15 years	138.53	-0.68	139.60	0.12	1.31
3 Over 15 years	148.08	-0.99	149.56	-	0.80
4 Irredeemables	164.31	-0.50	165.14	-	0.80
5 All stocks	135.88	-0.58	136.74	0.07	1.03
Index-Linked					
6 5 years	124.71	-0.11	124.84	-	0.80
7 Over 5 years	113.94	-0.11	114.06	-	0.36
8 All stocks	114.65	-0.11	114.78	-	0.33
9 Debentures & Loans	117.88	-0.19	118.11	-	0.63
10 Preference	86.03	+0.55	85.56	-	0.33

AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 26	Mon Jan 25	Year ago (approx.)
1 British Government Low Coupons	5 years	8.89	8.77	9.28
2	15 years	9.39	9.28	9.85
3	25 years	9.26	9.15	9.86
4 Medium Coupons	5 years	9.34	9.23	9.50
5	15 years	9.59	9.47	10.13
6	25 years	9.42	9.33	9.96
7 High Coupons	5 years	9.53	9.40	10.03
8	15 years	9.73	9.62	10.28
9	25 years	9.46	9.36	10.01
10 Irredeemables		9.22	9.18	9.86
11 Index-Linked Inflation rate 5%	5yrs.	2.41	2.36	3.54
12 Inflation rate 5%	Over 5 yrs.	4.00	4.00	3.76
13 Inflation rate 10%	5 yrs.	1.43	1.40	1.93
14 Inflation rate 10%	Over 5 yrs.	3.83	3.83	3.59
15 Debs & Loans	5 years	10.86	10.83	10.95
16	15 years	10.89	10.78	10.95
17	25 years	10.81	10.78	10.95
18 Preference		10.56	10.62	11.48

♦Opening index 1763.8; 10 am 1766.5; 11 am 1766.0; Noon 1771.5; 1 pm 1772.3; 2 pm 1772.9; 3 pm 1770.0; 3.30 pm 1768.1; 4 pm 1767.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jul.	Calls Oct.	Puts Apr.	Puts Jul.	Puts Oct.
Allied Lyons (*343)	330	35	43	52	17	28	33
	360	18	28	39	32	43	50
	390	10	19	-	52	63	-
Brit. Airways (*167)	140	33	40	45	5	9	12
	160	20	27	33	12	20	22
	180	12	18	23	25	32	35
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
LASMO (*309)	280	48	60	75	11	27	40
	300	35	45	63	20	35	50
	330	16	30	50	35	50	65
P. & O. (*549)	500	60	78	95	7	25	37
	550	23	50	67	27	50	65
	600	-	27	-	-	80	-
[illegible]							

January 26 Total Contracts 24,975 Calls 16,149 Puts 8,826
FT-SE Index Calls 874 Puts 1,977
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume '000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	109	6
Corporations, Dominion and Foreign Bonds	6	6	27
Industrials	547	258	752
Financial and Properties	246	91	307
Oils	22	2	63
Plantations	[illegible]	[illegible]	[illegible]
Mines	29	56	114
Others	136	40	78
Totals	986	594	1,366

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+or-
[illegible]							

[illegible]

هكذا في الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices January 26

MONTREAL
Closing prices January 26

Sales	Stock	High	Low	Close	Chng
131421	Bank Mont	$26¼	25⅞	26⅛	
5100	BombrdrA	$08½	08¼	08⅜	−⅛
99902	BombrdrB	$08⅝	08⅜	08⅜	−⅛
10725	CB Pak	$18⅜	18	18¼	
9905	Cascades	$06⅜	06¼	06⅜	+⅛
11500	ConBath	$18⅛	18	18	−⅛
4604	DomTxtA	$15⅞	15⅝	15⅝	−⅛
1620	MntTrst	$12½	12⅜	12⅜	+⅛
18088	NatBk Cda	$10⅞	10¾	10¾	
34151	Noverco	$11⅝	11¼	11½	+¼
15746	Power Corp	$13⅜	13⅛	13⅛	−¼
14134	Provigo	$09⅛	09	09	−¼
500	Repap Entr	$11⅞	11¾	11¾	
54308	Royal Bank	$27½	27⅛	27¼	−¼
74125	SteinbrgA	$43½	42¼	42¼	+⅛
40600	Videotron	$10	08¾	09¼	+½

Total Sales 4,778,663 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Abbey Life	362	+	10
BAT Inds.	436	+	8
BPB Inds	265	+	16
Birmid Qualcast	369	+	18
Bosse Massimi Pol	365	+	7
De La Rue	414	+	17
GKN	314	+	13
GRA	117	+	8
Hammerson A	542	+	19
KLP Group	277	+	17
Lon. & Manchester	278	+	9
Rush & Tompkins	245	+	30
Tibbett & Britten	255	+	15
Yorklyde	240	+	10

FALLS

Treas. 9¾% 2002	£101½	−	13/16
Burgess Group	224	−	11
Lonrho	252½	−	9½
RHP Group	189	−	12
Racal Elect.	215	−	16

TOKYO - Most Active Stocks

	Stocks Traded	Closing Prices	Change on day
Toshiba	31.98m	698	+31
Tokyo Gas	26.99m	985	+10
Nissan Motor	25.82m	813	+31
Kawasaki Steel	20.15m	334	-6
Mitsubishi Estate	17.95m	2140	+40
Nippon Steel	14.66m	380	-5
Ishikawajima-Harima Heavy Indus.	11.14m	660	-16
Mitsubishi Elec	8.77m	565	+17
Sumitomo Chemical	7.86m	1060	+10
Atsugi Nylon	7.80m	917	+17

Indices

NEW YORK

CANADA

NEW YORK ACTIVE STOCKS

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
30⅝	14½	Wynns	.60	3.4	14	203	17⅞	17½	17⅝	−⅛

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
85	50	Xerox	3	5.3	12	3688	57½	55⅝	56⅝	+⅛
58¼	52½	Xerox pf5.45		10.		75	53¾	53½	53¾	+⅛
31½	19⅛	XTRA	.64	2.8	16	354	25	24⅝	24⅝	−⅛
28¼	19½	XTRA pf1.94		8.1		53	24¼	24	24	
33⅞	17½	Yorkin			9	63	22⅞	22⅝	22⅝	
7¼	2¼	Zapata				147	2⅝	2½	2⅝	+⅛
37	13½	Zayre	.40	2.4	5	3336	16⅝	16	16⅝	−⅛
16⅛	8¾	Zemex	.40	3.6	10	18	11¼	10⅞	11	−⅜
33⅝	10	ZenithE				801	14⅛	14	14⅛	+⅛
13½	2½	ZenLab				393	3	2⅞	3	
25½	13½	ZenNtl	.80	4.7	8	34	17	16¾	17	−⅛
20⅝	11⅝	Zero	.36	2.5	15	30	14⅞	14⅝	14⅝	−¼
30¾	15	Zurmin s .68		3.4	14	127	21	20¼	20¼	−1
10⅝	7⅝	Zweig 1.08e		12.		613	9½	9¼	9⅜	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

FINANCIAL TIMES Wednesday January 27 1988

AMERICA

Dow beats a retreat as buying interest tapers off

Wall Street

THE STOCK market gave up about half of Monday's gains yesterday, as volume dipped back to the subdued levels seen for most of the year so far, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 25.86 points lower at 1920.59, after its 42.94 point rise on Monday. Volume, which on Monday had totalled more than 275m as heavy activity concentrated on dividend-related plays and takeover stocks, reached just over 135m shares.

The US Treasury bond market also turned lower after figures were released showing a much larger than expected 5.7 per cent jump in durable goods orders in December.

Analysts forecasts had ranged widely, from a fall of 0.5 per cent to a rise of 3.3 per cent. Although the series is known to be erratic, the rise was nevertheless the largest since September 1986, and the fourth consecutive monthly increase.

Yesterday's figure weighed against a growing conviction in the bond market last week that the US economy was indeed showing signs of slowing down and that the longer-term trend of US interest rates would therefore have to be lower.

The Treasury's benchmark 8.875 per cent 30-year issue was quoted ⅜ point lower in late trading to yield 8.70 per cent.

Analysts said the market was disappointed by the State of the Union address by President Reagan on Monday night, for its lack of any substantive proposals on further cuts in the US budget deficit. At the same time, however, they noted that the markets seemed to have had unrealistically high hopes of the President's speech.

The bond market's decline was relatively modest as the technical background to the market remains healthy in the run-up to the Treasury's quarterly refunding at the beginning of next month.

Because of substantial overseas central bank purchases of US paper in recent weeks, the Treasury's borrowing requirement has eased.

It remains extremely difficult to judge the underlying strength or weakness of the equity market, which is fluctuating up and down with little overall direction.

Monday's strong performance in healthy volume related to very specific stocks and did not seem to signal anything like a revival of broader investor interest in the market.

The fall yesterday came despite a stronger dollar which reacted favourably to the durable goods figures.

One focus of interest which did not necessarily affect the market was the publication by the General Accounting Office of its report on the October share price collapse.

The report recommended that stock exchanges, securities industry groups and federal agencies develop formalised contingency plans to deal with times of extreme market turmoil.

Activity again concentrated on companies reporting their latest results, and on shares involved in takeover speculation.

Rorer Group gained $2¼ to $52½ amid continued takeover rumours. According to some reports, Hoffman-La Roche, the Swiss drugs company (which was foiled in its attempt to take over Sterling Drug), and Sanofi (which, like Rorer, failed to win control of A.H. Robins), could be interested in acquiring Rorer.

Federated Department Stores, which surged $13¾ on Monday after news of a bid from Campeau Corp of Canada, extended its gains, rising another $1½ to $50½. Speculation was rife that Campeau would raise its $47 a share bid for the US department store holding group.

Other stocks involved with takeover bids included Farmers Group – being bid for by BAT Industries – which slipped $¼ up 2.16 at 408.68.

Among companies which reported their latest results, American Express was down $½ at $26. The company announced a fourth quarter loss of $104m compared with net income of $282m a year earlier, due to the $350m addition to its loan loss reserves and the loss suffered by its subsidiary, Shearson Lehman.

Merrill Lynch, which on Monday announced a 95 per cent plunge in its fourth quarter 1987 net income compared with the previous year, continued to slip and was $⅛ lower at $22⅝.

Merck announced sharply higher fourth quarter net income, but still plunged $5¾ to $148¾. Among other blue chips, International Business Machines dropped $1½ to $111¼ despite news of the introduction of new products.

Allegis Corp dropped $2 to $69⅝ after a report that the company's chief executive had asked First Boston to help it reconsider its options for paying a promised $60 a share distribution.

to $56⅞, while American Brands and E-II, who have both launched offers for each other, were respectively down $2 at $47⅜ and up $½ at $13.

Canada

PULLED LOWER by energy stocks, industrials and base metals, stocks posted moderate losses in slow trading.

The composite index fell 13.91 to 3069.17, as declines outran advances by 465 to 417 on light volume of 19.4m shares.

Dome Petroleum, which appeared at a hearing in Alberta provincial court on its pending merger with Amoco, topped the list of most actives, rising five cents to C$1.02.

Among other actives, Bow Valley slipped C$⅛ to C$14½ and Bank of Nova Scotia declined C$½ to C$12⅛.

SOUTH AFRICA

A FALL in the bullion price to under $470, along with the continuing rise of the financial rand, once again provoked nervous selling of gold shares in Johannesburg.

Vaal Reefs slipped R16 to R279 while Randfontein lost R10 to R240. Cons Modder eased 75 cents to R5.75, while Amgold declined R15 to R245. Kloof was down R2.75 to R32 and Driefontein slid R2 to R33.

Mining house Anglo-American shed R1.75 R46.50 and Gencor, R1 to R44. Diamond share De Beers dropped back R1.50 to R26.75, Impala Platinum sank R2.25 to R22.75 and Vansa Vanadium was 35 cents lower at R3.45.

Industrial leader SA Breweries fell 75 cents to R17, while Sasol lost 10 cents to R7.50. Messina took off 50 cents to R9.50.

EUROPE

Aimless dollar leaves export issues flat

LETHARGIC investors watched the aimless direction of the dollar and decided to remain firmly on the sidelines. The lack of direction in the US currency was mirrored in share price movements on European bourses with modest fluctuations arising from domestic factors.

FRANKFURT remained listless and ended a non-eventful day broadly mixed. The Commerzbank index added 5.1 to 1,246.9 and the FAZ index was up 2.16 at 408.68.

Banks fell across the board, led down by Bayerische Vereinsbank's DM5 drop to DM312. Cars closed mostly lower, headed by VW's DM3.30 decline to DM210.70 and expectations that Porsche would cut its 1986-87 dividend.

Electricals saw Siemens shedding DM2.40 to DM336.10 and Nixdorf down DM8.80 at DM510.20.

Chemicals and engineering were broadly firmer but retailers continued to decline after forecasts of lower exports. Karstadt fell DM2 to DM372.

German bond prices rose by up to 50 basis points in active trading. The Bundesbank sold only DM73.7m of paper after selling DM86.8m on Monday.

BRUSSELS saw high activity linked to the battle for control of *Société Générale de Belgique*, resulting in strong gains for companies concerned.

Réserve, Belgium's leading holding, put on BFr60 to BFr3,370 and Gevaert, leading a group of European investors seeking a 25 per cent stake in *Société Générale*, climbed strongly for the second day, ending BFr250 higher at BFr6,600.

Blue chip Petrofina added BFr130 to BFr9,470, while chemical Solvay put on BFr350 to BFr9,640 after announcing higher consolidated profits for 1987.

AMSTERDAM turned mixed as the uncertain mood of past days continued to hang over the market depressing activity. The ANP-CBS index edged up 1.0 to 215.7 and the CBS tendency index put on 0.2 to 70.4.

Chemical group Akzo, which is expected to report lower 1987 profits due to the weakness of the dollar, added 20 cents to Fl 89.30.

Nedlloyd climbed Fl 7.50 to Fl 173 amid speculation that a group of Norwegian investors may expand its 4 per cent stake in the shipping company.

ZURICH trading was quiet as market uneasiness continued. Wall Street's gains offered little reassurance and the Credit Suisse stock index closed down 1.0 at 409.6.

All sectors ended mixed. Banks set a cheerless tone with Union Bank and Credit Suisse falling SFr20 and SFr5 to finish at SFr2,960 and SFr2,350 respectively. Among industrials, Ascom Telecommunications lost SFr100 to SFr4,900.

In the insurance sector, Bâloise lost SFr70 to SFr1,900 reaching a two-day loss of SFr120 attributed to rumours of takeover moves.

PARIS showed gains partly on the strength of the ¼ point cut in intervention rates on Monday but also as a result of bargain hunting for lately depressed shares and better news from New York. The CAC opening index stood 0.9 higher at 256.2.

Salsigne led the market upwards, gaining FFr50.50 to FFr471 and SOOA climbed back FFr3.90to FFr38.90. Comptoirs des Entrepreneurs dropped back FFr11 to FFr172.

MILAN rebounded in a technical reaction to a spate of recent heavy losses. Trading was active as investors took encouragement from exchange rate stability and gains abroad.

Fiat, which announced a rise in operating profit, an increase in sales and also unveiled its new Tipo medium-sized car, dipped L70 to L7,985 but advanced to L8,090 in post-close trading.

Blue chip industrials recovered most of the ground lost in recent sessions.

MADRID inched higher but selective profit-taking after Monday's advance pared many gains as investors turned nervous towards the close. The general index put on a modest 0.62 to 250.65.

Price movements were narrow in all sectors with advances in banks, utilities and foods marginally offsetting losses elsewhere.

STOCKHOLM climbed as an inflow of liquidity and a wave of buying lifted share prices. Institutional investors returned in force and sought blue chips, banking and investment company shares. A warning that striking white-collar workers could face a lock out next week did not deter activity.

The Affärsvärlden general index rose 0.9 per cent to 739.1.

OSLO drifted quietly lower in uninspired trade. The all-share index slipped 0.88 to 259.61 as industrials and banks weakened further and shipping issues nosed higher.

HELSINKI edged upwards but trading continued to be very thin and cautious with no sign of foreign investors. The Unitas all-share index added 3.9 to 563.5.

London

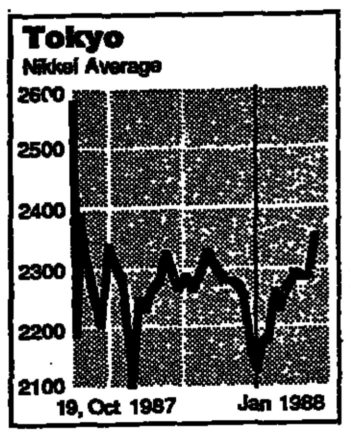
Uncertainty before tomorrow's UK trade figures for December and the continuing lack of volume resulted in slow trading and little change. Despite a midday flurry of interest, institutional investors stayed away.

The FT-SE 100 index gained a modest 5.1 to close at 1,767.3, after touching a day's high of 1,773.3. The FT Ordinary index rose 4.0 to 1,418.

ASIA

Good tidings help Nikkei build on gains

Tokyo



WALL STREET'S overnight advance, stability in the yen-dollar exchange rate and lower interest rates brought investors back to the floor in Tokyo yesterday and share prices rose moderately for the fourth consecutive session, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average ended 180.36 higher at 23,498.76 after touching a day's high of 23,538.69 and a low of 23,367.88. Volume climbed to 672.08m shares from Monday's 554.76m and advances outnumbered declines by 562 to 335, with 143 issues unchanged.

Spurred by Wall Street's strong performance and stability on foreign exchanges, the market got off to a firm start. Buying continued to centre on issues expected to benefit from a rise in domestic demand.

Tokyo Gas was actively traded and finished Y10 higher at Y985 after rising Y21 at one stage. Mitsubishi Estate gained Y70 earlier in the day but succumbed to late profit-taking, ending Y40 higher at Y2,140. Tokyo Electric Power was unchanged at Y5,400 while Mitsui Real Estate and Kajima shed Y20 and Y30 to Y1,820 and Y1,480, respectively.

Supermarkets and other consumption-related stocks came into the spotlight. Daiei rose Y240 to Y1,820, bolstered by reports of a link with Visa International and Mastercard International on credit card services.

Jusco added Y80 to Y1,740, Nagasakiya climbed Y210 to Y2,650, Mitsukoshi rose Y130 to Y1,590 and Chujitsuya advanced Y300 to Y2,500.

High-technology stocks, which had fallen behind in recent days, were bought briskly. Toshiba topped the active list with 31.98m shares traded and closed Y31 higher at Y698. Nissan Motor, the third busiest issue with 25.82m shares, surged Y31 to Y813.

Bond prices eased as many dealers retreated, awaiting the outcome of negotiations between the Finance Ministry and a bond underwriting syndicate on issue terms for long-term Government bonds to be floated in February.

In bond futures trading, the current March contract remained at high levels but did not break the barrier of 108.40-108.50 despite active buying. This disappointed dealers and prompted them to step up selling on the cash bond market.

As a result, the yield on the benchmark 5.0 per cent Government bond, due in December 1997, rose to 4.310 per cent at one stage before ending at 4.296 per cent, up from 4.265 per cent at Monday's close.

On the Osaka Securities Exchange (OSE), prices closed higher for the fourth consecutive trading day as Wall Street's overnight advance triggered active buying in speculative stocks and lower-priced issues.

The 250-issue OSE stock average finished 108.05 higher at 23,674.10, on an estimated volume of 106.58m shares, up 35.98m from the previous day.

Hong Kong

LOCAL buying offset selling by overseas institutions, which continued to cut their Hong Kong share portfolios. The Hang Seng index ended the day 18.75 higher at 2,425.05 after a firm opening and a few points slip at midday.

Bank of East Asia rose 10 cents to HK$20.10 after announcing good results and plans for a one-for-five bonus share issue and a dividend payout of 65 cents a share.

Other banks benefitted from the good results with Hong Kong Bank rising 10 cents to HK$7.50 and Hang Seng Bank adding 30 cents to HK$29.70.

Elsewhere among blue chips, Cheung Kong gained 10 cents to HK$6.80 and Swire Pacific "A" added 20 cents to HK$16.

Sydney was closed for the Australia Day holiday.

Singapore

INTERMITTENT profit-taking in thin trade tugged share prices marginally lower after an early rally petered out as investor nervousness resurfaced. The Straits Times industrial index slipped 1.52 to 907.38.

Institutional investors were noticeably absent from the floor.

Diana Smith reports on a Portuguese bourse's attempt to improve the clearing system

Oporto speeds up its settlements

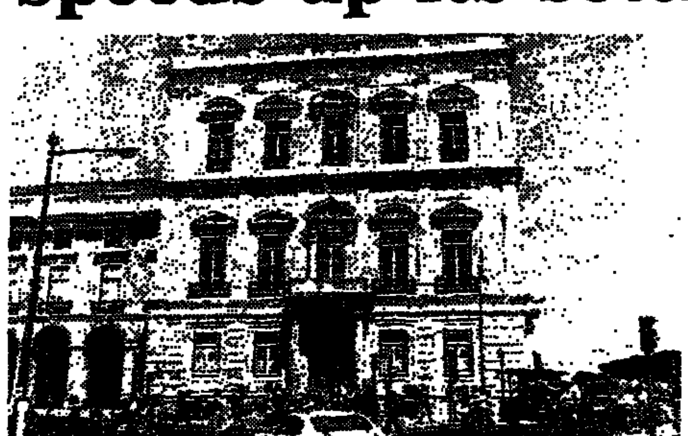
THE OPORTO Stock Exchange Commission will soon introduce what it hopes will be a more efficient, better-supervised clearing and settlements system.

The move coincides with renewed interest in the two Portuguese stock markets and growing rivalry between Oporto and Lisbon in the search for solid operations.

Under the new proposals, brokers must hand the Oporto exchange's clearing centre a daily list of their buying and selling of any shares deposited in particular banks.

The clearing centre will keep its own list of brokers' share operations, and ensure that the two lists tally each day. Any discrepancies must be explained by brokers.

The first weekday after each day of trading, the clearing centre will send banks lists of brokers' share operations and of their values. The first weekday of each month the clearing centre will send each bank details of broker's net positions together with charts of the banks' net obligations.



Lisbon Stock Exchange: rivalrous relations with Oporto

By the third weekday of each month, banks must deliver all outstanding shares which the clearing centre will record and pass on to receiving banks.

Settlement of share purchases will be made on presentation of invoices to the bank by brokers. These must be paid the day after presentation.

Settlement of sales must be made by brokers to banks three days after a stock exchange operation: any delay in settlement of purchase or sale must be immediately reported to the Stock Exchange Commission.

The Oporto exchange would consider an alternative to this settlement system – special bank accounts in the name of the exchange through which interbank settlements would be carried out no later than three days after each transaction.

Market experts have welcomed the efforts by the Oporto exchange to place tighter checks on operations and to speed up settlement. However, they fear that if banks do not keep pace, the chain of communication could break down.

Independent dealers suggest it might be better to start with one bank and one major quoted company at a time, gradually switching from physical transfer of share certificates to paperless transactions.

Operations in Lisbon and Oporto became completely out of hand in the 6-month boom when foreign capital flooded the market. Ill-equipped brokers and banks often lost track of stocks, and confidence in the markets was badly shaken.

● Portugal's Finance Minister, Mr Miguel Cadilhe said on Monday that a daily 15 per cent limit on share price fluctuations had been reinstated partly because of evidence that share prices were being manipulated.

"Shares of a few companies changed 50, 70 per cent in a single day, mainly on orders to sell at the best price," he said. "*This is bad for the exchanges.*"

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 26 1988					MONDAY JANUARY 25 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	100.24	−0.1	83.75	93.21	4.86	100.39	83.99	93.21	180.81	85.36	103.67
Austria (16)	88.89	−0.3	74.27	77.47	2.70	89.15	74.59	77.57	102.87	85.53	99.10
Belgium (48)	105.70	+1.5	88.31	91.49	5.18	104.08	87.08	90.09	134.89	94.63	104.36
Canada (127)	108.98	−0.5	91.05	101.01	3.09	109.50	91.62	101.54	141.78	98.15	111.38
Denmark (38)	112.61	+0.2	94.08	98.56	3.00	112.33	93.98	98.50	124.83	98.18	121.48
Finland (23)	109.89	+0.2	91.81	94.07	1.81	109.71	91.79	93.64	–	–	–
France (124)	75.21	+0.9	62.84	66.66	4.45	74.56	62.39	66.14	121.82	74.56	113.60
West Germany (94)	69.95	+0.6	58.45	60.95	3.05	69.51	58.15	60.62	104.93	68.80	96.14
Hong Kong (46)	92.03	+0.7	76.89	92.11	5.70	91.43	76.49	91.48	158.68	73.92	99.58
Ireland (14)	112.58	+0.7	94.06	100.08	4.53	111.81	93.55	99.49	160.22	93.50	114.57
Italy (94)	70.17	+0.1	58.62	64.61	2.97	70.11	58.66	64.48	112.11	70.11	102.40
Japan (457)	148.07	+0.7	123.71	119.66	0.58	147.03	123.01	118.73	161.28	100.00	114.88
Malaysia (36)	119.19	−0.6	99.59	117.38	3.18	119.87	100.29	117.95	193.64	93.76	111.31
Mexico (14)	134.97	+8.0	112.77	328.13	1.08	124.96	104.55	302.90	422.59	90.07	112.98
Netherland (37)	96.27	+0.5	80.43	82.71	5.44	95.82	80.17	82.37	131.41	87.70	105.24
New Zealand (24)	73.76	−3.2	61.62	58.37	5.63	76.18	63.74	60.29	138.99	73.39	91.93
Norway (24)	103.52	−0.4	86.49	89.61	3.06	103.91	86.94	90.09	185.01	95.51	107.28
Singapore (26)	105.37	−0.2	88.04	98.17	2.47	105.57	88.33	98.49	174.28	81.21	106.10
South Africa (61)	125.07	−4.1	104.49	80.42	5.18	130.46	109.15	83.88	198.09	100.00	105.42
Spain (43)	137.29	+0.5	114.71	118.31	3.44	136.60	114.29	117.51	168.81	100.00	116.46
Sweden (34)	105.42	+0.7	88.08	94.06	2.65	104.65	87.56	93.46	136.64	88.50	91.83
Switzerland (53)	77.31	−0.2	64.59	65.23	2.55	77.47	64.82	65.39	111.11	73.65	102.97
United Kingdom (329)	129.56	+0.4	108.25	108.25	4.32	129.01	107.94	107.94	162.87	99.65	112.15
USA (588)	101.96	−0.9	85.19	101.96	3.64	102.91	86.10	102.91	137.42	91.21	112.84
Europe (971)	99.66	+0.5	83.26	85.52	3.98	99.19	82.98	85.19	130.02	92.25	106.72
Pacific Basin (682)	144.03	+0.7	120.34	117.48	0.81	143.08	119.71	116.61	158.77	100.00	113.86
Euro–Pacific (1653)	126.30	+0.6	105.52	104.73	1.81	125.54	105.04	104.07	143.65	100.00	111.02
North America (715)	102.33	−0.9	85.50	101.92	3.61	103.26	86.39	102.85	137.55	91.68	112.76
Europe Ex. UK (642)	81.14	+0.5	67.79	71.18	3.64	80.72	67.54	70.83	111.97	78.89	97.65
Pacific Ex. Japan (225)	95.39	−0.1	79.70	89.80	5.01	95.52	79.92	89.85	164.03	82.92	101.18
World Ex. US (1855)	125.70	+0.5	105.02	104.47	1.89	125.05	104.62	103.90	143.38	100.00	110.97
World Ex. UK (2114)	115.23	+0.0	96.28	103.08	2.27	115.25	96.42	103.06	138.82	100.00	111.67
World Ex. So. Af. (2382)	116.45	+0.1	97.29	103.72	2.46	116.37	97.36	103.64	139.47	100.00	111.75
World Ex. Japan (1986)	101.38	−0.4	84.70	95.50	3.80	101.82	85.19	95.94	134.22	92.98	110.20
The World Index (2443)	116.50	+0.0	97.34	103.57	2.47	116.46	97.44	103.52	139.73	100.00	111.71

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Australian market closed January 25 and 26.

Amendments to indices for January 25 applied to the following: Ireland and the regional indices.